

STATE OF KANSAS

Department of Administration



Division of Accounts and Reports

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Howard R. Fricke
Secretary

July 1, 2002 to June 30, 2003

Dale Brunton
Director



STATE OF KANSAS

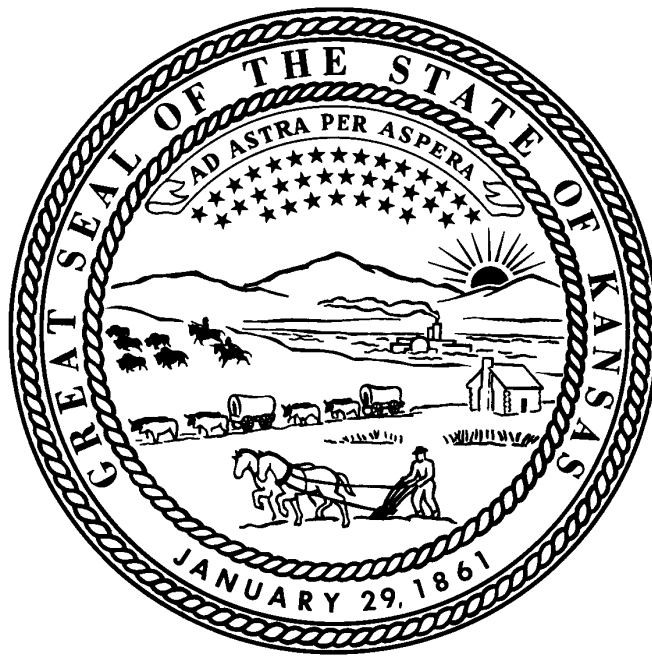
Department *of* Administration



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of
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Dale Brunton
Director
Accounts & Reports



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State of Kansas
Fiscal Year 2003 Financial Report
June 30, 2003

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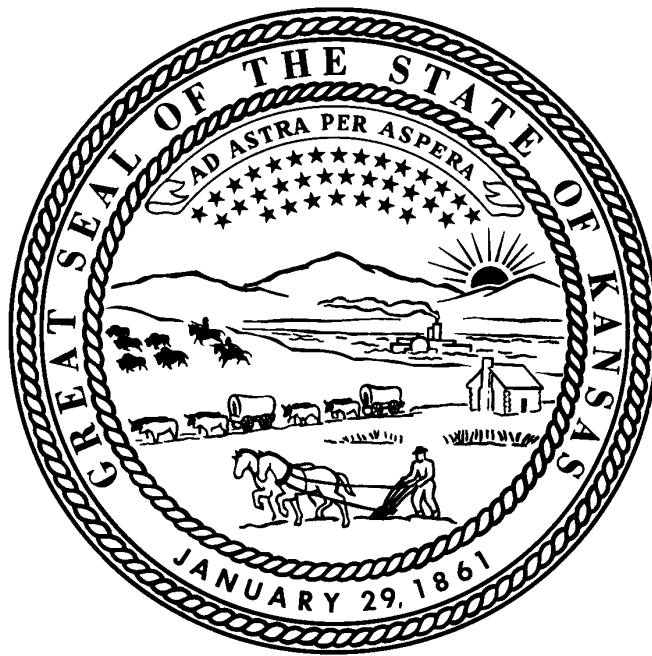
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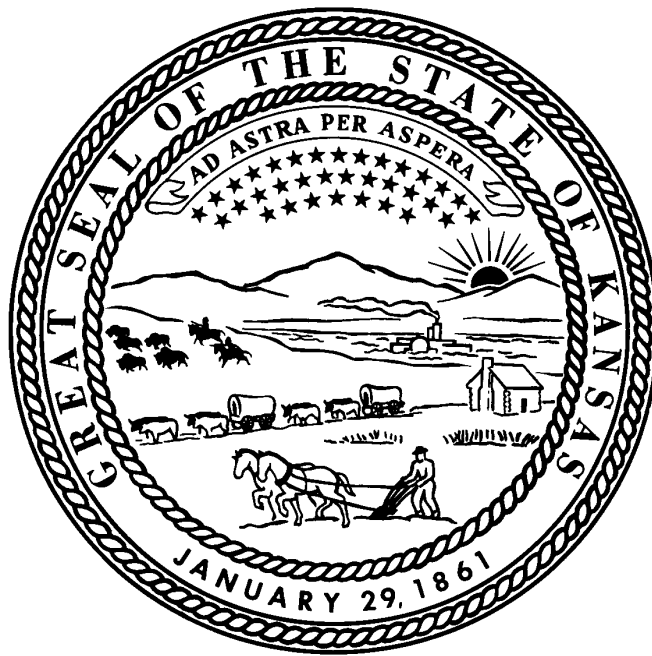
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INTRODUCTION



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K A N S A S

DALE BRUNTON, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR
HOWARD R. FRICKE, SECRETARY

DEPARTMENT OF ADMINISTRATION
DIVISION OF ACCOUNTS AND REPORTS

December 30, 2003

The Honorable Kathleen Sebelius, Governor of the State of Kansas
Members of the Legislature and
Citizens of the State of Kansas:

It is my pleasure to submit to you the fiftieth Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2003, as provided by Kansas Statutes Annotated (K.S.A.) 75-3735. This Comprehensive Annual Financial Report (CAFR) has been prepared in conformance with generally accepted accounting principles (GAAP) and with Governmental Accounting Standards Board (GASB) Statements 34 and 35. The objective of this is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

This report is presented in three sections. The Introductory Section includes this transmittal letter, the organizational chart and a listing of selected officials. The Financial Section includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements and notes, the Required Supplementary Information and Other Supplementary Information. The Statistical Section includes unaudited tables and financial trend information.

This report is prepared by the Department of Administration, Division of Accounts and Reports. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State government and this office. The enclosed information is accurate in all material respects and is reported to present fairly the financial position and activities of the State of Kansas. All necessary disclosures to enable the reader to understand the State's financial activities have been included.

The State's financial statements have been audited by Allen, Gibbs & Houlik, L.C. and Berberich Trahan & Co., P. A., two firms of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State of Kansas for the fiscal year ended June 30, 2003, are free of material misstatement. This independent audit was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards here also require the auditor to report on the State of Kansas' internal controls and compliance with legal requirements. A copy of the separately issued Single Audit Report can be obtained from the Legislative Division of Post Audit.

PROFILE OF THE GOVERNMENT

The State government is comprised of three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court and the District Trial Courts. The State provides a full range of services including education, safety, social services, recreation and transportation. The annual budget serves as the foundation of the State's financial planning and control. On or before October 1, agencies are required to submit annually or biennially budget estimates for the next fiscal year to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However in the case of the regular legislative session immediately following the election of a governor who was elected to the Office of Governor for the first time, that governor must submit the budget report to the Legislature on or before the 21st calendar day of that regular session.

FINANCIAL INFORMATION

Kansas has a centrally maintained computerized double-entry accounting system. Management is responsible for establishing and maintaining an internal control structure to ensure that government assets are protected from loss, theft or misuse, and that adequate data are compiled to prepare meaningful financial statements. Internal accounting controls have been implemented for reasonable, but not absolute, assurance for safeguarding assets and accurately recording financial transactions. "Reasonable assurance" is based upon the premise that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of cost and benefits requires estimates and judgements by management. As a recipient of federal financial assistance, the State is also responsible for implementing internal controls for compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

The State also maintains budgetary restrictions and controls, which are imposed through annual appropriations and limitations, approved by the Legislature. Annual appropriated budgets are adopted for the State General Fund and certain Special Revenue, Capital Project, Enterprise, Internal Service and Trust and Agency funds. The level of budgetary control in the central accounting system is usually established by agency, fund and budget unit. Budgetary control is maintained by mechanisms in the accounting system, which prevent expenditures and firm encumbrances in excess of appropriations or limitations and/or available cash. Encumbrances are reported as expenditures for budgetary purposes and reserved and designated fund balances in the financial statements included in this report.

CASH MANAGEMENT

On a daily basis, the State monitors receipts to, and expenditures out of, the State Treasury. It also employs cash flow tools and techniques that maximize revenues without incurring undue risk. The State invests idle funds to match anticipated cash flow needs by using government securities, collateralized bank deposits, and commercial paper to provide safety, liquidity, and yield, in that order. As a cash flow management policy, the State seeks to avoid borrowing from its own idle funds to meet expenditure obligations of the State General Fund.

The State maintains investments in addition to idle moneys. Authorized agencies may make investments independently of the State Treasury pooled cash. Generally the Pooled Money Investment Board (PMIB) acts as agent for these investments. Certain funds, such as Kansas Public Employees Retirement System and the Employment Security Fund, are statutorily exempted from PMIB oversight. Investments of the Municipal Investment Pool, an investment option established by the 1992 legislature for local governments, are also made by the PMIB.

RISK MANAGEMENT

The State maintains a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through risk management and various outside entity commercial insurance providers. It is the policy of the State to cover the risk of certain losses to which it may be exposed through risk management activities. In general, the State is self-insured for certain health care claims (prescription drug and dental plus three of eight medical health plan options), State employee workers' compensation, long-term disability, tort liability, personal property, and real estate property losses up to \$500,000 (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles, and a statewide commercial policy on real property valued at \$500,000 or more (except where separate coverage is required by bond covenant). Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

Risk is managed by positively addressing various benefits and liabilities through review, legislation and administration to assure that claims are promptly and correctly adjudicated and that appropriate and fair benefits and liabilities are reflected in the statutes and regulations. Where cost effective and appropriate, such as limiting the impact of a catastrophic occurrence to the State buildings, the State has limited its exposure through high deductible catastrophic loss insurance.

PENSION TRUST FUND OPERATIONS

The Kansas Public Employees Retirement System is an umbrella organization administering three statewide retirement systems under one plan. These systems are Kansas Public Employee Retirement System, Kansas Police and Firemen's Retirement System and Kansas Retirement System for Judges. Further information on State participation in the retirement system can be found in Note IV D of the notes to the Financial Statements Located in the Financial Section.

ACKNOWLEDGEMENTS

I wish to express my deepest appreciation and thanks to those on my staff responsible for the preparation of this report. It is through their dedicated effort that this report was made possible. I also wish to thank the many other individuals in the State agencies without whose contributions this report would not have been possible.

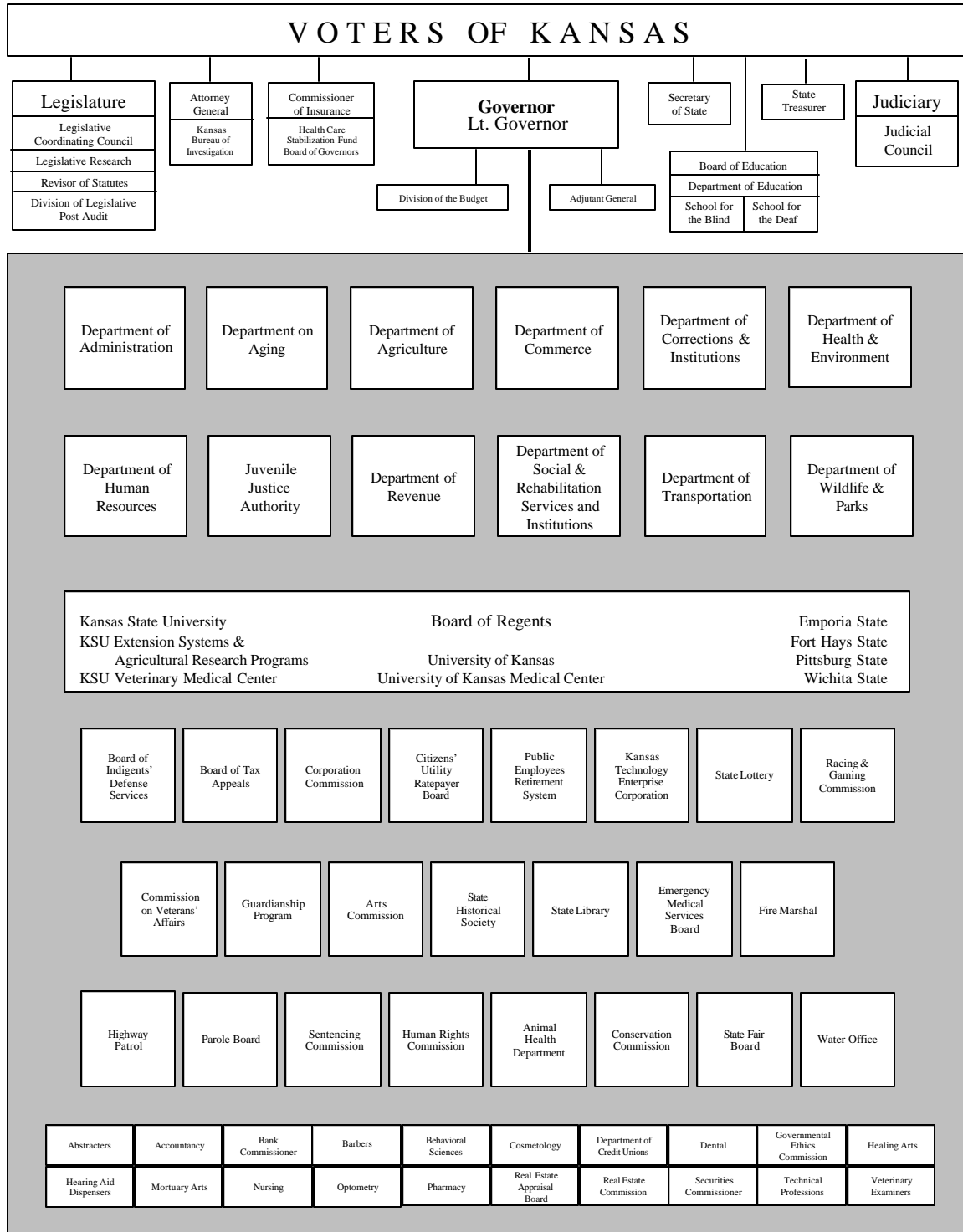
Sincerely,



Dale Brunton, Director
Division of Accounts and Reports

State of Kansas
Introduction
June 30, 2003

Organizational Chart



Listing of Selected Officials

Executive Branch

Governor
Kathleen Sebelius

Lieutenant Governor
John E. Moore

Secretary of State
Ron Thornburgh

State Treasurer
Lynn Jenkins

Attorney General
Phill Kline

Commissioner of Education
Dr. Andy Tompkins

Commissioner of Insurance
Sandy Praeger

Legislative Branch

*Speaker of the House of
Representatives*
Doug Mays

*Speaker Pro Tempore of the
House of Representatives*
John Ballou

President of the Senate
Dave Kerr

Vice President of the Senate
John Vratil

*Chief Clerk of the House of
Representatives*
Janet E. Jones

*Legislative Coordinating
Council*
Dave Kerr

Legislative Research
Alan Conroy

Judicial Branch

Supreme Court of Kansas
Chief Justice
Kay McFarland

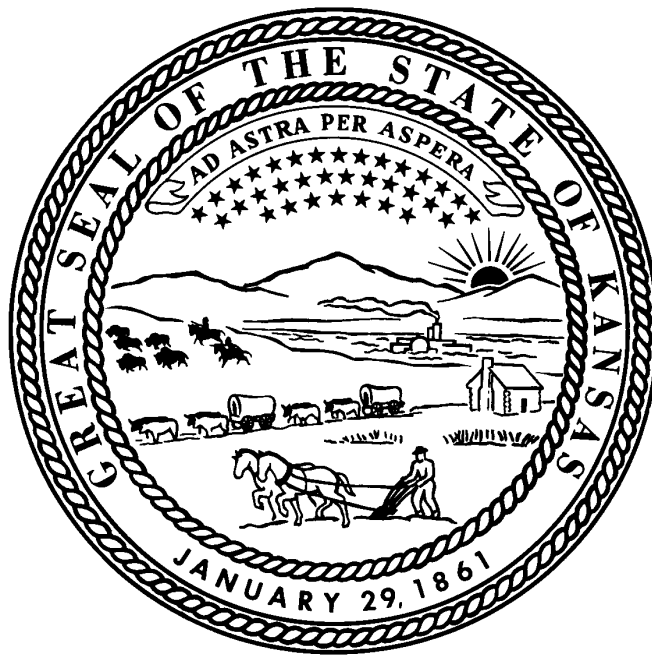
Justices
Donald L. Allegrucci
Carol A. Beier
Robert E. Davis
Robert L. Gernon
Marla J. Luckert
Lawton R. Nuss

Court of Appeals
Chief Judge
Gary W. Rulon

Judicial Council
Executive Director
Randy M. Hearrell

Judicial Administrator
Howard P. Schwartz

FINANCIAL
SECTION



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INDEPENDENT AUDITORS' REPORT

Legislative Post Audit Committee
Kansas State Legislature
State of Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (State), as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the various component units of the six state universities which represent 14 percent and 24 percent, respectively, of the assets and revenues of the University system fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities in the University system fund, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2003 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 6 to 15 and the schedules of budgetary comparison, and the information needed to support the modified approach for infrastructure reporting on pages 80 through 88 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Allen, Gibbs & Houlik, L.C.

December 19, 2003
Wichita, Kansas

Berberich Trahan & Co., P.A.

December 19, 2003
Topeka, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the State of Kansas Comprehensive Annual Financial Report (CAFR) is provided for readers of the financial statements for the fiscal year ended June 30, 2003. This information is to be used in conjunction with the additional information furnished in the preceding letter of transmittal and with the financial statements that follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The State is in its second year of implementing the new reporting standards with significant changes from years prior to fiscal year 2002.

FINANCIAL HIGHLIGHTS

Government-wide highlights:

- The assets of the State exceeded its liabilities at fiscal year ending June 30, 2003 by \$10.7 billion (presented as “net assets”). Of this amount, \$1.2 billion was reported as unrestricted net assets, which represents the amount available to be used to meet ongoing obligations to citizens and creditors.
- Total net assets decreased by \$13.6 million (.1% decrease) in fiscal year 2003. Net assets of governmental activities decreased by \$25 million (.3% decrease), and net assets of the business-type activities increased \$11.8 million (.7% increase).

Fund highlights:

- For fiscal year 2003, the governmental funds reported a combined ending fund balance of \$674 million, a decrease of \$623 million in comparison with the prior year. Of the total amount, \$793 million represents the fund balance of the Transportation Fund. There is (\$631) million in the “unreserved fund balances” with substantially all being in the Transportation Fund and Transportation-Capital Project Fund. This unreserved (\$631) million is roughly 8.1% of the total governmental fund expenditures for the year. The designated balances of \$1,305 million include the reserve for inventory of \$22 million and the reserve for encumbrances of \$1,053 million.

Long-term debt:

- The State's total long-term debt obligation showed a net increase of \$271 million (9.4%) during the current year. This increase was primarily due to the increase of \$144 million in revenue bonds, \$135 million in STAR bonds, and \$31 million in capital leases and was offset by the decreases of \$37 million in claims and judgements and \$3 million in loan reserve payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Kansas basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the State – the ***Government-wide Financial Statements*** and the ***Fund Financial Statements***. These financial statements also include the ***Notes to the Financial Statements*** that explain some of the information in the financial statements and provide more detail.

Government-wide Financial Statements

The *Government-wide Financial Statements* provide a broad view of operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the financial position to assist in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This method is similar to those used by most businesses and takes into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *Statement of Net Assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of State programs or activities. These three types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with State government fall into this category, including education, general government, health services, judiciary services, museums, natural resources, public safety, defense, regulatory services, social services, and transportation.

Business-type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities include Employment Security Fund (by the Department of Human Resources), the State's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Department of Health and Environment), and the State universities.

Discretely Presented Component Units – These are operations for which the State has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private sector businesses and the business-type activities described above. The component units include Kansas Development Finance Authority (KDFA) and Kansas Technology Enterprise Corporation (KTEC).

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about component units are presented in the notes to the financial statements. The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government, reporting the operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds financial statements are:

Governmental Funds Financial Statements – Most of the basic services provided by the State are financed through governmental type funds. Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of expendable resources. They also focus on the balances of expendable resources available at the end of the fiscal year. This information may be helpful in evaluating the government's near-term financial requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of State finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State has four governmental funds considered major funds for presentation purposes. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The four governmental funds are – the General Fund, the Transportation Fund, the Transportation-Capital Projects Fund, and the Social and Rehabilitation Services Fund. The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The State has three enterprise funds considered major proprietary funds for presentation purposes. As previously mentioned, they are Employment Security Fund (by the Department of Human Resources), Universities, and the Water Pollution Control and Public Water Supply Revolving Loan Fund (by Department of Health and Environment).

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

Fiduciary Funds Financial Statements – These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The fiduciary funds are the Kansas Public Employees Retirement Fund, the Investment Trust Fund (which accounts for the transactions, assets, liabilities and fund equity of the external investment pool), and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

The basic fiduciary funds financial statements can be found immediately following the proprietary funds financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which consists of schedules and related notes. Schedules include budgetary comparisons for the major funds and the Kansas Department of Transportation modified approach explanation. Comparisons can be made between the original budget, final budget, and actual revenues and expenditures. This section also includes in the notes reconciliation between budgetary basis and the accrual basis for major funds as presented in the governmental funds financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the financial position of a government. The combined net assets of the State (government and business-type activities) totaled \$10.8 billion at the end of 2003, compared to \$10.8 billion at the end of the previous year.

The largest portion of net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Kansas Net Assets – Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current assets	\$ 2,315,649	\$ 2,223,961	\$ 2,105,734	\$ 1,971,494	\$ 4,421,383	\$ 4,195,455
Capital assets	9,757,528	9,494,903	1,088,464	1,002,427	10,845,992	10,497,330
Other assets	6,467	6,298	19,887	41,742	26,354	48,040
Total assets	<u>12,079,644</u>	<u>11,725,162</u>	<u>3,214,085</u>	<u>3,015,663</u>	<u>15,293,729</u>	<u>14,740,825</u>
Non-current liabilities	1,353,633	1,626,503	1,193,303	1,086,890	2,546,936	2,713,393
Other liabilities	1,654,984	960,735	342,254	293,939	1,997,238	1,254,674
Total liabilities	<u>3,008,617</u>	<u>2,587,238</u>	<u>1,535,557</u>	<u>1,380,829</u>	<u>4,544,174</u>	<u>3,968,067</u>
Invested in capital assets, net of related debt	7,758,504	7,494,576	844,948	714,933	8,603,452	8,209,509
Restricted	118,013	60,207	844,360	513,119	962,373	573,326
Unrestricted	1,194,510	1,583,141	(10,780)	406,782	1,183,730	1,989,923
Total net assets	<u>\$ 9,071,027</u>	<u>\$ 9,137,924</u>	<u>\$ 1,678,528</u>	<u>\$ 1,634,834</u>	<u>\$ 10,749,555</u>	<u>\$ 10,772,758</u>

An additional portion of net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the ongoing obligations to citizens and creditors. Internally imposed designations of resources are not represented as restricted net assets.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

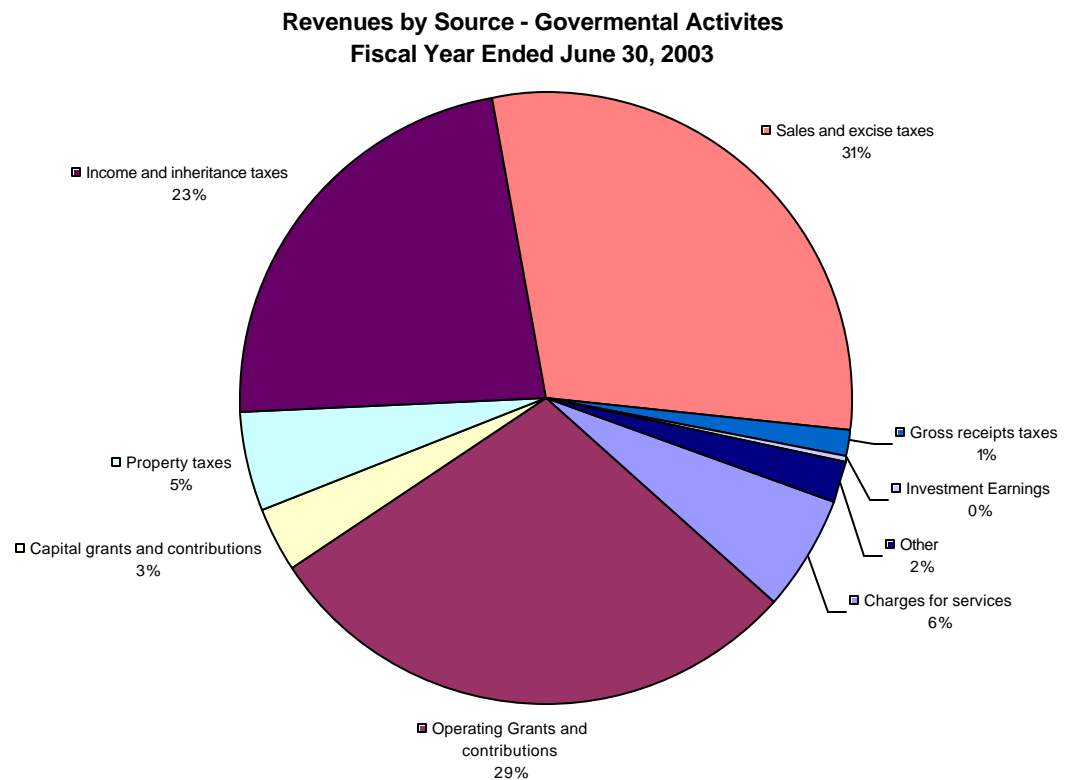
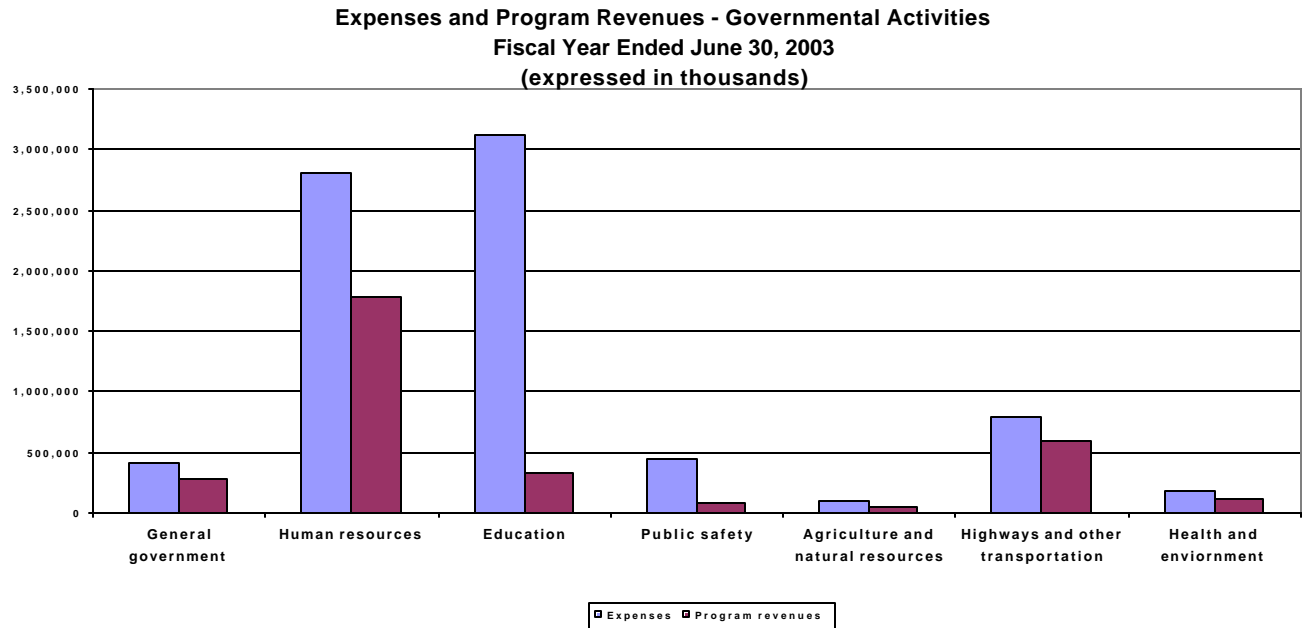
Net assets decreased by \$13.6 million or 0.1 percent. Approximately 49 percent of the total revenue came from taxes, while 33 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 13 percent of the total revenues. Expenses cover a range of services. The largest expenses were for general (public schools) and higher education, social services, and highways.

State of Kansas Changes in Net Assets – Primary Government (expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 511,329	\$ 433,162	\$ 1,101,583	\$ 865,970	\$ 1,612,912	\$ 1,299,132
Operating grants and contributions	2,438,009	2,398,283	520,417	507,512	2,958,426	2,905,795
Capital grants and contributions	287,825	259,666	11,608	619	299,433	260,285
General revenues:						
Taxes						
Property taxes	446,611	54,535	0	0	446,611	54,535
Income and inheritance taxes	1,936,916	2,010,550	0	(1)	1,936,916	2,010,549
Sales and excise taxes	2,496,744	2,248,760	0	0	2,496,744	2,248,760
Gross receipts taxes	115,282	103,825	0	0	115,282	103,825
Investment earnings	13,422	37,369	(636)	(158)	12,786	37,211
Other revenue	196,567	208,732	204,634	582,437	401,201	791,169
Total revenues	8,442,705	7,754,882	1,837,606	1,956,379	10,280,311	9,711,261
Expenses:						
General government	419,040	561,006	0	0	419,040	561,006
Human resources	2,804,932	2,723,207	0	0	2,804,932	2,723,207
Education	3,125,520	2,662,380	0	0	3,125,520	2,662,380
Public safety	446,867	476,638	0	0	446,867	476,638
Agriculture and natural resources	92,466	90,948	0	0	92,466	90,948
Highways and other transportation	798,083	860,035	0	0	798,083	860,035
Health and environment	174,249	166,038	0	0	174,249	166,038
Water pollution and safety	0	0	22,489	42,370	22,489	42,370
Health care stabilization	0	0	34,955	27,588	34,955	27,588
Employment security	0	0	487,610	341,587	487,610	341,587
Workers' compensation	0	0	(38,177)	(856)	(38,177)	(856)
Lottery	0	0	140,103	132,284	140,103	132,284
Universities	0	0	1,749,824	1,857,220	1,749,824	1,857,220
Intergovernmental transfer program	0	0	35,953	94,823	35,953	94,823
Total expenses	7,861,157	7,540,252	2,432,757	2,495,016	10,293,914	10,035,268
Increase (decrease) in net assets before transfers	581,548	214,630	(595,151)	(538,637)	(13,603)	(324,007)
Transfers	(606,944)	(570,470)	606,944	570,470	0	0
Change in net assets	(25,396)	(355,840)	11,793	31,833	(13,603)	(324,007)
Net assets, beginning of year	9,137,924	9,493,764	1,634,834	1,603,001	10,772,758	11,096,765
Revisions to beginning net assets	(41,501)	0	31,901	0	(9,600)	0
Net assets, beginning of year (restated)	9,096,423	0	1,666,735	0	10,763,158	0
Net assets, end of year	\$ 9,071,027	\$ 9,137,924	\$ 1,678,528	\$ 1,634,834	\$ 10,749,555	\$ 10,772,758

Governmental Activities

Governmental activities decreased net assets by \$25 million in fiscal year 2003. For the State's governmental activities a comparison of the cost of services by function along with the program revenues is shown below:



Business-Type Activities

The State's business-type activities increased the net assets of the State by \$12 million.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$674 million, a decrease of \$623 million in comparison with the prior year. Part of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year in the amount of \$1,053 million or for inventory in the amount of \$22 million.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was a negative \$54 million, while the total fund balance reached a negative \$35 million. This deficit fund balance was a result of year end payables and commitments exceeding available resources. As a measure of liquidity of the General Fund, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 1.3 percent of total general fund expenditures, while total fund balance represents 0.8 percent of that same amount.

The fund balance of the General Fund decreased by \$113 million during the current fiscal year. This is a 144.9 percent decrease from the prior year.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements.

As discussed in the business-type activities above, the State's net assets increased by \$11.8 million as a result of operations in the proprietary funds. This resulted from a \$111.3 million decrease (22.1% from prior year) in net assets by the Unemployment Insurance Fund; an increase of net assets of \$16.4 million (7.3%) by the State's program for making loans to local government units for water pollution and public water supply projects and an increase of net assets of \$79.1 million (7.6%) for the University System Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences existed between the original budget and the final budget. Revenue estimates were lowered by approximately \$354 million and expenditure estimates were also lowered by approximately \$311 million. The original estimates provided for an excess of revenues over expenditures of \$129 million. The final budget provided for an excess of \$86 million of revenues over expenditures. In reality, fiscal year 2003 was closed with an excess of revenues over expenditures of \$108 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

State investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$10.8 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The Kansas Department of Transportation used the modified approach for valuing their infrastructure. The roadways' conditions are assessed using a pavement management system. The bridges' conditions are assessed using the Pontis Bridge Management System. The conditions for the roadways and the bridges exceeded the Department's policy for minimum condition levels.

The total increase in the investment in capital assets for its governmental and business-type activities for the current fiscal year was about 3% in terms of net book value. The majority of capital asset expenditures were used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$130 million. Additional information on the capital assets can be found in Note III of the notes to the financial statements of this report.

Debt Administration

The State of Kansas does not have the statutory authority to issue general obligation bonds. The Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

KDFA is a public body politic and corporate, constituting an independent instrumentality of the State of Kansas. It was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

The total long-term bond debt obligations increased by \$176 million during the current fiscal year. The key factor in this increase was the issuance of \$144 million of Water Pollution Control Revenue Bonds Series 2002 and 2003.

Additional information on long-term debt obligations can be found in Note III of the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

According to the Kansas Department of Human Resources *Kansas Labor Market Information News Release* for July 2003, employment in the State of Kansas for June 2003 was at its highest level since July 1999. Compared to June 2002, employment was up 59,675. Modest gains were shown in most industries. The unemployment rate was 5.1 percent for June 2003, compared to 5.3 percent for last June and the seasonally adjusted national rate for June 2003 of 6.4 percent.

The Kansas Department of Commerce and Housing reported in November 2003 that Kansas's per capita personal income for 2002 was \$29,141 and ranked 26th of all the states. The national per capita personal income was \$30,941 in 2002. The cost of doing business in Kansas is 94.1 when compared to the national average of 100.0.

The Wichita State University Center for Economic Development and Business Research reported in the March 2003 *Kansas's Economic Outlook* that job creation is expected to be slow during 2003. With layoffs continuing in the manufacturing sector and employers reluctant to resume hiring in the wake of a

sluggish national recovery, the competition for the few available manufacturing jobs will be fierce. The telecommunication and airline industries are expected to continue to struggle in 2003. Most of the State's job gains are expected in the services and construction sectors. The majority of the job gains are expected in the Kansas City metro area. The Center for Economic Development and Business Research expected total wage and salary employment in 2003 to increase modestly adding 10,800 jobs or 0.8 percent.

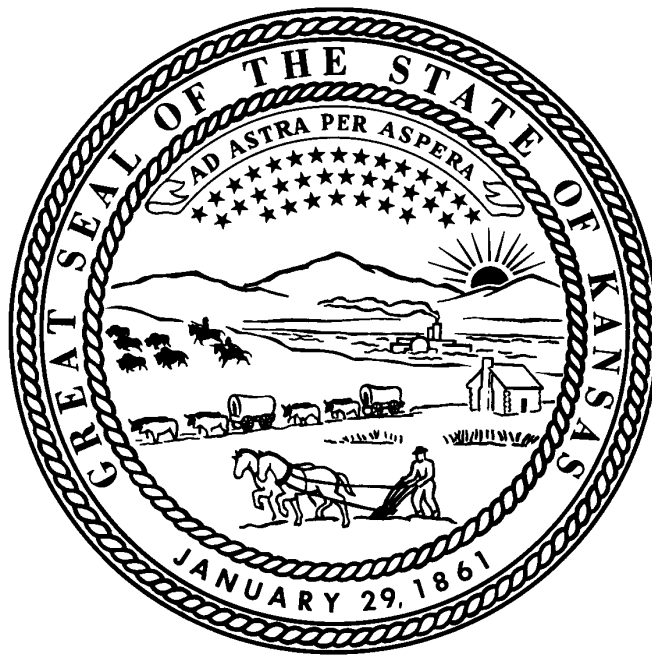
Estimates for the State General Fund are developed using a consensus revenue estimate approach. Pursuant to K.S.A. 75-6701, on or before each December 4 or each April 4, the Director of the Budget and the Director of the Legislative Research Department shall prepare a joint estimate of revenue to the State General Fund for the current and the ensuing fiscal year. If legislation is passed affecting State General Fund revenue, the two directors prepare a joint estimate of such revenue. If the two directors are unable to agree on the joint estimates, the Legislature must use the estimate of the Director of Legislative Research and the Governor must use the estimate of the Director of the Budget. (To date, the two directors have successfully reached agreement on these revenue estimates.)

The latest consensus revenue estimates as of November 3, 2003 revised the estimates for fiscal year 2004 and provided the first estimates for fiscal year 2005. For fiscal year 2004, the estimate was increased by \$11.9 million above the previous estimate (made in April and subsequently adjusted for legislation enacted after that point and for the implementation of the property tax accelerator provisions by the Governor in August). The revised SGF estimate of \$4.484 billion represents a 5.6 percent increase from the final fiscal year 2003 receipts. The fiscal year 2004 estimate includes one-time moneys (tax amnesty, property and motor vehicle taxes, the deferral of \$50 million in tax refunds, and revenues from the Federal government) that for the most part are not expected to continue. The initial estimate for fiscal year 2005 is \$4.469 billion, which is \$14.3 million below the newly revised fiscal year 2004 estimate. This is largely due to the removal of many of the one-time moneys from the receipts base.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of State finances for all of Kansas's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate State accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Dale Brunton, Director of Accounts and Reports
900 S.W. Jackson, Room 351S
Landon State Office Building
Topeka, KS 66612-1248



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State of Kansas
Financial Statements
June 30, 2003

Government Wide - Statement of Net Assets
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June 30, 2003
(expressed in thousands)

	Primary Government			Component
	Governmental	Business-type	Totals	Units
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 720,049	\$ 405,877	\$ 1,125,926	\$ 6,004
Investments	594,974	482,684	1,077,658	8,798
Receivables (net)	845,156	678,470	1,523,626	2,374
Due from primary government				
Investment in direct financing leases, due within one year	0	0	0	18,875
Investment in direct financing leases, due in more than one year	0	0	0	287,665
Internal balances	53,012	(53,012)	0	0
Inventories	22,926	14,977	37,903	0
Other current assets	1,781	7,030	8,811	60
Restricted cash and cash equivalents	77,751	474,709	552,460	0
Restricted investments	0	94,999	94,999	0
Capital assets (net of accumulated depreciation)	1,006,787	1,088,464	2,095,251	495
Infrastructure	8,750,741	0	8,750,741	0
Other non-current assets	6,467	19,887	26,354	320
Total assets	12,079,644	3,214,085	15,293,729	324,591
LIABILITIES				
Accounts payable and other current liabilities	681,724	183,263	864,987	2,238
Due to component unit				
Lease revenue bonds payable, due within one year	18,875	0	18,875	0
Lease revenue bonds payable, due in more than one year	287,665	0	287,665	0
Deferred revenue	186,052	71,758	257,810	1,973
Bonds payable on demand	608,115	0	608,115	0
Short-term notes payable	6,000	0	6,000	0
Non-current liabilities				
Due within one year	154,218	87,233	241,451	18,875
Due in more than one year	1,047,509	895,932	1,943,441	287,665
Claims and judgements	18,459	297,371	315,830	0
Total liabilities	3,008,617	1,535,557	4,544,174	310,751
NET ASSETS				
Invested in capital assets, net of related debt	7,758,504	844,948	8,603,452	0
Restricted for:				
Capital projects	0	94,250	94,250	0
Debt service	104,652	291,594	396,246	0
Other purposes	13,361	458,516	471,877	0
Unrestricted	1,194,510	(10,780)	1,183,730	13,840
Total net assets	\$ 9,071,027	\$ 1,678,528	\$ 10,749,555	\$ 13,840

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2003

Government Wide - Statement of Activities
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For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants
Primary government:				
Governmental activities:				
1 General government	\$ 419,040	\$ 184,128	\$ 99,096	\$ 0
2 Human resources	2,804,932	54,789	1,727,549	0
3 Education	3,125,520	2,989	319,576	0
4 Public safety	446,867	17,882	67,823	0
5 Agriculture and natural resources	92,466	40,533	15,115	0
6 Highways and other transportation	798,083	187,721	112,990	287,825
7 Health and environment	174,249	23,287	95,860	0
8 Total governmental activities	7,861,157	511,329	2,438,009	287,825
Business-type activities:				
10 Water pollution and safety	22,489	12,749	1,400	9,620
11 Health care stabilization	34,955	26,201	0	0
12 Employment security	487,610	251,027	101,255	0
13 Workers' compensation	(38,177)	871	0	0
14 Lottery	140,103	203,939	0	0
15 Universities	1,749,824	606,729	417,762	1,988
16 Intergovernmental transfer program	35,953	67	0	0
17 Total business-type activities	2,432,757	1,101,583	520,417	11,608
18 Total primary government	\$ 10,293,914	\$ 1,612,912	\$ 2,958,426	\$ 299,433
Component units:				
21 Kansas Development Finance Authority	\$ 1,126	\$ 1,277	\$ 0	\$ 0
22 Kansas Technology Enterprise Corporation	22,237	1,300	15,738	0
23 Total component units	\$ 23,363	\$ 2,577	\$ 15,738	\$ 0

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business- Type Activities	Total	Component Units	
\$ (135,816)	\$ 0	\$ (135,816)	\$ 0	1
(1,022,594)	0	(1,022,594)	0	2
(2,802,955)	0	(2,802,955)	0	3
(361,162)	0	(361,162)	0	4
(36,818)	0	(36,818)	0	5
(209,547)	0	(209,547)	0	6
(55,102)	0	(55,102)	0	7
(4,623,994)	0	(4,623,994)	0	8
0	1,280	1,280	0	9
0	(8,754)	(8,754)	0	10
0	(135,328)	(135,328)	0	11
0	39,048	39,048	0	12
0	63,836	63,836	0	13
0	(723,345)	(723,345)	0	14
0	(35,886)	(35,886)	0	15
0	(799,149)	(799,149)	0	16
\$ (4,623,994)	\$ (799,149)	\$ (5,423,143)	\$ 0	17
				18
				19
				20
\$ 0	\$ 0	\$ 0	\$ 151	21
0	0	0	(5,199)	22
\$ 0	\$ 0	\$ 0	\$ (5,048)	23

General revenues:

Taxes:

Property tax	\$ 446,611	\$ 0	\$ 446,611	\$ 0
Income and inheritance tax	1,936,916	0	1,936,916	0
Sales and excise tax	2,496,744	0	2,496,744	0
Gross receipts tax	115,282	0	115,282	0
Investment earnings	13,422	(636)	12,786	189
Other revenue	150,857	204,634	355,491	2,391
Extraordinary items	45,710	0	45,710	0
Transfers	(606,944)	606,944	0	0
Total general revenues	4,598,598	810,942	5,409,540	2,580
Change in net assets	(25,396)	11,793	(13,603)	(2,468)
Net assets – beginning	9,137,924	1,634,834	10,772,758	17,317
Revisions to beginning net assets	(41,501)	31,901	(9,600)	(1,009)
Net assets – beginning (restated)	9,096,423	1,666,735	10,763,158	16,308
Net assets – ending	\$ 9,071,027	\$ 1,678,528	\$ 10,749,555	\$ 13,840

State of Kansas
Financial Statements
June 30, 2003

Balance Sheet – Governmental Funds

June 30, 2003
(expressed in thousands)

	General	Social and Rehabilitation Services	Transportation	Transportation- Capital Projects	Other Governmental	Total Governmental
ASSETS						
Cash and cash equivalents	\$ 140,101	\$ 52,659	\$ 133,979	\$ 0	\$ 361,236	\$ 687,975
Investments	0	0	490,848	0	104,126	594,974
Receivables, net	527,207	122,585	151,525	0	43,837	845,154
Due from other funds	4,850	0	0	0	6,400	11,250
Inventories	6,878	0	15,620	0	0	22,498
Advances to other funds	0	80	94,609	0	76,081	170,770
Other assets	0	1,781	0	0	0	1,781
Restricted cash and cash equivalents	0	0	0	0	77,751	77,751
Restricted investments	0	0	0	0	0	0
Total assets	\$ 679,036	\$ 177,105	\$ 886,581	\$ 0	\$ 669,431	\$ 2,412,153
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payables and other current liabilities	\$ 330,333	\$ 124,074	\$ 65,976	\$ 0	\$ 153,434	\$ 673,817
Due to other funds	823	110	0	0	100	1,033
Deferred revenue	262,825	32,091	27,681	0	12,311	334,908
Advances from other funds	119,582	107	0	0	117	119,806
Bonds payable on demand	0	0	0	608,115	0	608,115
Total liabilities	713,563	156,382	93,657	608,115	165,962	1,737,679
Fund balances:						
Reserved for debt service	0	0	0	0	74,631	74,631
Reserved for inventory	6,878	0	15,620	0	0	22,498
Reserved for encumbrances	12,377	15,682	861,577	0	163,830	1,053,466
Reserved for advances to other funds	0	80	94,609	0	60,164	154,853
Unreserved	(53,782)	4,961	(178,882)	(608,115)	204,844	(630,974)
Total fund balances	(34,527)	20,723	792,924	(608,115)	503,469	674,474
Total liabilities and fund balances	\$ 679,036	\$ 177,105	\$ 886,581	\$ 0	\$ 669,431	\$ 2,412,153

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2003

Balance Sheet – Governmental Funds Continued

	Total Governmental
Reconciliation to the statement of net assets:	
Total fund balance from previous page	\$ 674,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Infrastructure	8,750,741
Capital assets	899,832
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	6,467
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	11,219
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accounts payable (amount not in funds)	(2,506)
Deferred revenue (not on statement of net assets)	148,856
Long term liabilities (amount not in funds)	(1,017,367)
Compensated absences – long term liabilities (amount not in funds)	(94,149)
Due to component units (lease revenue bonds payable)	(306,540)
Net assets of governmental activities as reported on the statement of net assets	<u>\$ 9,071,027</u>

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2003

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General	Social and Rehabilitation Services	Transportation	Transportation Capital Projects	Other Governmental	Total Governmental
Revenues:						
Property tax	\$ 408,328	\$ 0	\$ 0	\$ 0	\$ 38,301	\$ 446,629
Income and inheritance tax	1,943,518	0	0	0	9,879	1,953,397
Sales excise tax	2,103,957	2,067	352,670	0	15,067	2,473,761
Gross receipts tax	96,049	0	0	0	19,145	115,194
Charges for services	43,223	44,855	187,025	0	256,846	531,949
Operating grants	81	1,626,259	108,036	0	698,698	2,433,074
Capital grants	0	0	297,226	0	34	297,260
Investment earnings	10,688	211	0	0	2,737	13,636
Other revenues	(35,257)	73,603	6,621	0	116,114	161,081
Total revenues	<u>4,570,587</u>	<u>1,746,995</u>	<u>951,578</u>	<u>0</u>	<u>1,156,821</u>	<u>8,425,981</u>
Expenditures:						
Current:						
General government	174,274	0	0	0	368,085	542,359
Human resources	820,638	1,551,693	0	0	433,309	2,805,640
Education	2,741,564	0	0	0	386,665	3,128,229
Public safety	298,006	0	0	0	169,657	467,663
Agriculture and natural resources	14,878	0	0	0	76,156	91,034
Highways and other transportation	0	0	886,837	0	11,808	898,645
Health and environment	26,657	0	0	0	148,979	175,636
Debt service:						
Principal	0	0	0	0	92,026	92,026
Interest	0	0	0	0	82,351	82,351
Total expenditures	<u>4,076,017</u>	<u>1,551,693</u>	<u>886,837</u>	<u>0</u>	<u>1,769,036</u>	<u>8,283,583</u>
Excess of revenues over (under)						
Expenditures	<u>494,570</u>	<u>195,302</u>	<u>64,741</u>	<u>0</u>	<u>(612,215)</u>	<u>142,398</u>
Other financing sources (uses):						
Proceeds from sale of debt	0	0	0	213,404	170,459	383,863
Transfers, net	(652,848)	(213,398)	(189,447)	(306)	443,457	(612,542)
Other	0	0	0	(621,213)	(25,757)	(646,970)
Total other financing sources (uses)	<u>(652,848)</u>	<u>(213,398)</u>	<u>(189,447)</u>	<u>(408,115)</u>	<u>588,159</u>	<u>(875,649)</u>
Extraordinary items	45,710	0	0	0	0	45,710
Net change in fund balances	<u>(112,568)</u>	<u>(18,096)</u>	<u>(124,706)</u>	<u>(408,115)</u>	<u>(24,056)</u>	<u>(687,541)</u>
Fund balances, beginning of year	83,432	16,817	916,401	(200,000)	480,647	1,297,297
Revisions to beginning fund balances	(5,720)	22,002	0	0	46,878	63,160
Fund balances, beginning of year (restated)	77,712	38,819	916,401	(200,000)	527,525	1,360,457
Change in reserves for inventory	329	0	1,229	0	0	1,558
Fund balances, end of year	<u>\$ (34,527)</u>	<u>\$ 20,723</u>	<u>\$ 792,924</u>	<u>\$ (608,115)</u>	<u>\$ 503,469</u>	<u>\$ 674,474</u>

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2003

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds Continued
--

	<u>Total Governmental</u>
Reconciliation to the statement of activities:	
Total net change in fund balance from previous page	\$ (687,541)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	92,025
Defeased debt is reported as an other financing use in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	646,970
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Assets	148,046
Depreciation expense	(30,436)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	14,868
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	
Revenue bond proceeds	(320,780)
Accrued interest on revenue bonds	(13,937)
Bond premiums and discounts	(3,147)
Loan proceeds	(6,000)
Other borrowings	(40,002)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	180,081
Accrued interest payable is recorded on the Statement of Net Assets while the funds record interest when paid.	(1,176)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities	<u>(4,367)</u>
Changes in net assets of governmental activities as reported on the statement of activities	<u>\$ (25,396)</u>

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2003

Statement of Net Assets – Proprietary Funds

June 30, 2003
(expressed in thousands)

		Business-type Activities	
		Water Funds	Unemployment Insurance
ASSETS			
Current assets:			
1	Cash and cash equivalents	\$ 20,128	\$ 5,928
2	Investments	163,281	0
3	Receivables, net	11,778	2,564
4	Inventories	0	0
5	Other current assets	0	0
6	Total current assets	195,187	8,492
Non-current assets:			
8	Investments	0	0
9	Receivables, net	504,420	0
10	Restricted cash and cash equivalents	29,942	390,109
11	Restricted investments	81,358	0
12	Advances to other funds	0	0
13	Capital assets (net of accumulated depreciation)	0	0
14	Infrastructure	0	0
15	Other non-current assets	16,355	0
16	Total non-current assets	632,075	390,109
17	Total assets	\$ 827,262	\$ 398,601
LIABILITIES			
Current liabilities:			
21	Accounts payable and other current liabilities	\$ 18,824	\$ 6,558
22	Deferred revenue	0	0
23	Due to other funds	0	0
24	Short-term compensated absences	0	0
25	Short-term portion of long-term liabilities	27,270	0
26	Total current liabilities	46,094	6,558
Non-current liabilities:			
28	Compensated absences	0	0
29	Claims and judgements	0	0
30	Bonds, notes and loans payable	541,039	0
31	Advances from other funds	0	0
32	Total non-current liabilities	541,039	0
33	Total liabilities	587,133	6,558
NET ASSETS			
36	Invested in capital assets, net of related debt	0	0
Restricted for:			
38	Capital projects	0	0
39	Debt service	240,129	0
40	Other purposes	0	392,043
41	Unrestricted	0	0
42	Total net assets	240,129	392,043
43	Total liabilities and net assets	\$ 827,262	\$ 398,601

The notes to the financial statements are an integral part of this statement.

Business-type Activities				
University System	Non-major Funds	Totals	Governmental Activities - Internal Service Funds	
\$ 359,702	\$ 20,119	\$ 405,877	\$ 32,072	1
91,898	202,789	457,968	0	2
97,000	12,612	123,954	0	3
13,661	1,316	14,977	427	4
7,030	0	7,030	0	5
569,291	236,836	1,009,806	32,499	6
				7
24,715	0	24,715	0	8
50,095	0	554,515	0	9
54,656	0	474,707	0	10
13,641	0	94,999	0	11
399	4,001	4,400	29	12
1,088,161	302	1,088,463	106,954	13
0	0	0	0	14
3,531	0	19,886	0	15
1,235,198	4,303	2,261,685	106,983	16
\$ 1,804,489	\$ 241,139	\$ 3,271,491	\$ 139,482	17
				18
				19
				20
\$ 148,813	\$ 9,069	\$ 183,264	\$ 5,400	21
71,758	0	71,758	0	22
3,235	4,850	8,085	2,130	23
38,631	49	38,680	1,147	24
21,281	0	48,551	25,872	25
283,718	13,968	350,338	34,549	26
				27
5,172	6	5,178	161	28
0	297,371	297,371	18,459	29
349,714	0	890,753	69,030	30
49,326	0	49,326	6,064	31
404,212	297,377	1,242,628	93,714	32
687,930	311,345	1,592,966	128,263	33
				34
				35
844,646	301	844,947	37,924	36
				37
94,250	0	94,250	0	38
51,464	0	291,593	0	39
145,839	(79,366)	458,516	0	40
(19,640)	8,859	(10,781)	(26,705)	41
1,116,559	(70,206)	1,678,525	11,219	42
\$ 1,804,489	\$ 241,139	\$ 3,271,491	\$ 139,482	43

State of Kansas
Financial Statements
June 30, 2003

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
--

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

		Business-type Activities	
		Water Funds	Unemployment Insurance
	Operating revenues:		
1	Charges for services	\$ 12,978	\$ 251,027
2	Other revenue	17,334	27,578
3	Total operating revenues	30,312	278,605
4			
5	Operating expenses:		
6	Personal services	764	0
7	Supplies and services	947	0
8	Lottery prize awards	0	0
9	Depreciation	0	0
10	Insurance claims and expenses	0	487,589
11	Other expenses	543	20
12	Total operating expenses	2,254	487,609
13			
14	Operating income (loss)	28,058	(209,004)
15			
16	Non-operating revenues (expenses):		
17	Operating grants	1,400	101,255
18	Capital grants	9,620	0
19	Investment earnings	0	(2,190)
20	Interest expense	(22,695)	0
21	Other expenses	0	0
22	Total non-operating revenues (expenses)	(11,675)	99,065
23			
24	Net income (loss)	16,383	(109,939)
25			
26	Transfers in	0	(785)
27	Transfers out	0	(573)
28		0	(785)
29	Net change in net assets	16,383	(111,297)
30			
31	Total net assets – beginning	228,293	503,340
32	Revision to beginning net assets	(4,547)	0
33	Net assets – beginning (restated)	223,746	503,340
34	Total net assets - ending	\$ 240,129	\$ 392,043

The notes to the financial statements are an integral part of this statement.

Business-type Activities			Governmental Activities - Internal Service Funds	
University System	Non-major Funds	Totals		
\$ 739,998	\$ 231,080	\$ 1,235,083	\$ 90,179	1
145,864	91,020	281,796	999	2
885,862	322,100	1,516,879	91,178	3
				4
				5
1,008,145	4,589	1,013,498	24,322	6
362,062	33,790	396,799	39,696	7
0	107,660	107,660	0	8
69,836	200	70,036	10,618	9
0	(40,664)	446,925	13,867	10
401,302	61,449	463,314	58	11
1,841,345	167,024	2,498,232	88,561	12
				13
(955,483)	155,076	(981,353)	2,617	14
				15
				16
409,342	0	511,997	0	17
1,995	0	11,615	0	18
1,554	0	(636)	0	19
(13,025)	0	(35,720)	(3,812)	20
(95,246)	(5,809)	(101,055)	(264)	21
304,620	(5,809)	386,201	(4,076)	22
				23
(650,863)	149,267	(595,152)	(1,459)	24
				25
801,768	(121,654)	679,329	(935)	26
(71,799)	(12)	(72,384)	(1,974)	27
				28
79,106	27,601	11,793	(4,368)	29
				30
1,002,064	(98,867)	1,634,830	27,812	31
35,389	1,060	31,902	(12,225)	32
1,037,453	(97,807)	1,666,732	15,587	33
\$ 1,116,559	\$ (70,206)	\$ 1,678,525	\$ 11,219	34

State of Kansas
Financial Statements
June 30, 2003

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

		Business-type Activities	
		Water funds	Unemployment Insurance
1	Cash flows from operating activities:		
2	Cash receipts from customers	\$ 15,042	\$ 277,814
3	Cash payments to suppliers for goods and services	(2,124)	(2,410)
4	Cash payments to employees for services	0	0
5	Cash payments for lottery prizes	0	0
6	Internal activity – payments to other funds	0	(1,349)
7	Claims paid	0	(487,589)
8	Other operating revenues	12,197	0
9	Other operating expenses	(936)	0
10	Net cash provided (used) by operating activities	24,179	(213,534)
11	Cash flows from non-capital financing activities:		
12	Operating grants receipts	0	101,255
13	Other non-operating expenses	0	0
14	Other cash inflows from non-capital financing activities	0	0
15	Other cash outflows from non-capital financing activities	0	0
16	Net cash provided (used) by capital and related financing activities	0	101,255
17			
18	Cash flows from capital and related financing activities:		
19	Proceeds from issuance of long-term debt	108,781	0
20	Repayment of long-term debt	(12,895)	0
21	Proceeds from short-term notes payable	0	0
22	Interest payments	(25,370)	0
23	Change in accrued interest payable	0	0
24	Proceeds from sale of fixed assets	0	0
25	(Gain) loss on disposal of fixed assets	0	0
26	Payments for purchase of fixed assets	0	0
27	Other cash inflows from capital financing activities	12,877	0
28	Other cash outflows from capital financing activities	(558)	0
29	Accreted interest	0	0
30	Net cash provided (used) by capital and related financing activities	82,835	0
31			
32	Cash flows from investing activities:		
33	Proceeds from sale and maturities of investment securities	139,101	0
34	Purchase of investments	(268,101)	0
35	Interest and dividends	12,312	(2,190)
36	Change in interest receivable	0	1
37	Unrealized (gain) loss on investments	0	0
38	Net cash provided (used) by investing activities	(116,688)	(2,189)
39			
40	Net increase (decrease) in cash and cash equivalents	(9,674)	(114,468)
41	Cash and cash equivalents, beginning of year	59,744	510,506
42	Cash and cash equivalents, end of year	\$ 50,070	\$ 396,038
43			
44	Reconciliation of operating income (loss) to net cash provided by operations:		
45			
46	Operating income (loss)	\$ 28,058	\$ (209,004)
47			
48	Adjustments to reconcile operating income to net cash provided by operating activities:		
49	Depreciation	0	0
50	Provision for uncollectible accounts	0	0
51	Net transfers to other funds	0	(1,358)
52	Changes in assets and liabilities:		
53	Receivables	(3,987)	(791)
54	Due from other governments	0	0
55	Due from other funds	0	0
56	Inventories	0	0
57	Other assets	0	0
58	Accounts payable	108	(2,390)
59	Payroll liabilities	0	0
60	Deferred revenue	0	0
61	Due to other funds	0	9
62	Claims and judgements	0	0
63	Lottery prize liability	0	0
64	Interest payable	0	0
65	Total adjustments	(3,879)	(4,530)
66	Net cash provided by operating activities	\$ 24,179	\$ (213,534)

The notes to the financial statements are an integral part of this statement.

Business-type Activities			Governmental Activities – Internal Service Funds	
University System	Non-major Funds	Totals		
\$ 879,768	\$ 317,981	\$ 1,490,605	\$ 91,178	1
(714,929)	(94,551)	(814,014)	(42,038)	2
(1,002,044)	(4,586)	(1,006,630)	(24,197)	3
0	(107,172)	(107,172)	0	4
734,084	(124,816)	607,919	(6,969)	5
0	835	(486,754)	(11,361)	6
0	0	12,197	0	7
0	0	(936)	0	8
(103,121)	(12,309)	(304,785)	6,613	9
				10
409,342	0	510,597	0	11
(95,246)	(5,808)	(101,054)	(264)	12
0	0	0	0	13
0	0	0	0	14
314,096	(5,808)	409,543	(264)	15
				16
103,399	0	212,180	0	17
(37,773)	0	(50,668)	(1,731)	18
0	0	0	0	19
(13,025)	0	(38,395)	(3,812)	20
1,130	0	1,130	201	21
0	0	0	0	22
43,995	0	43,995	8	23
(200,293)	(95)	(200,388)	(4,015)	24
1,995	0	14,872	0	25
(7,092)	0	(7,650)	0	26
104	0	104	0	27
(107,560)	(95)	(24,820)	(9,349)	28
				29
39,130	7,998	186,229	0	30
(10,358)	(8,165)	(286,624)	0	31
1,554	0	11,676	0	32
341	562	904	0	33
2,114	880	2,994	0	34
32,781	1,275	(84,821)	0	35
				36
136,196	(16,937)	(4,883)	(3,000)	37
278,162	37,055	885,467	35,072	38
\$ 414,358	\$ 20,118	\$ 880,584	\$ 32,072	39
				40
				41
\$ (955,483)	\$ 155,077	\$ (981,352)	\$ 2,617	42
				43
69,836	201	70,037	10,618	44
0	0	0	0	45
729,969	(121,666)	606,945	(2,909)	46
				47
(10,502)	(4,117)	(19,397)	0	48
0	0	0	0	49
(399)	(4,000)	(4,399)	(29)	50
(2,658)	(472)	(3,130)	(427)	51
34,103	0	34,103	0	52
16,990	1,158	15,866	(1,857)	53
6,101	1	6,102	125	54
4,408	0	4,408	0	55
4,514	850	5,373	(4,031)	56
0	(39,829)	(39,829)	2,506	57
0	488	488	0	58
0	0	0	0	59
852,362	(167,386)	676,567	3,996	60
\$ (103,121)	\$ (12,309)	\$ (304,785)	\$ 6,613	61
				62
				63
				64
				65
				66

State of Kansas
Financial Statements
June 30, 2003

Statement of Fiduciary Net Assets
--

June 30, 2003
(expressed in thousands)

	<u>Pension Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
ASSETS			
Cash and cash equivalents	\$ 5,261	\$ 337,021	\$ 279,230
Investments	11,248,449	0	717,626
Receivables, net	1,538,278	53	18,276
Inventories	11	0	0
Capital assets	<u>2,410</u>	<u>0</u>	<u>0</u>
Total assets	<u>12,794,409</u>	<u>337,074</u>	<u>1,015,132</u>
LIABILITIES			
Accounts payable and other liabilities	3,863,967	337,074	1,015,132
Refunds payable and other	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>\$ 3,863,967</u>	<u>\$ 337,074</u>	<u>\$ 1,015,132</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 8,930,442</u>		

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2003

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Pension Trust
ADDITIONS	
Contributions:	
Employer contributions	\$ 231,464
Employee contributions	224,746
Total contributions	456,210
Deposits:	
Charges for services	326,056
Investment earnings	0
Other revenue	82
	82
Total additions	782,348
DEDUCTIONS	
Benefits and refunds:	
Monthly benefits and refunds	645,716
Refunds of contributions	39,608
Death and insurance benefits	7,826
Total benefits and refunds	693,150
Administrative expenses	61,044
Total deductions	754,194
Net increase (decrease)	28,154
Net assets – beginning of year	8,902,288
Net assets – end of year	\$ 8,930,442

The notes to the financial statements are an integral part of this statement.

I. Summary of Significant Accounting Policies

I. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Kansas (the “State”) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard setting body for governmental accounting and financial reporting principles. In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and Statement 35 *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. These Statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years are affected. The State was required to implement these standards for the fiscal year ending June 30, 2002.

Other GASB Statements were required to be implemented in conjunction with GASB Statements 34 and 35. Therefore, the State has implemented the following GASB Statements: Statement 33 – *Accounting and Financial Reporting for Non-exchange Transactions*, Statement 36 – *Recipient Reporting for Certain Shared Non-exchange Revenues*, Statement 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement 38 – *Certain Financial Statement Note Disclosures*.

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2003 and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Kansas State Legislature and/or Constitutional Officers of the State of Kansas.

A. Financial Reporting Entity

The State has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Local school districts (the State’s support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles, these financial statements present the State of Kansas (the primary government) and its component units.

The accompanying financial statements present the activities of State government (the primary government), which is comprised of three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court, and the District Trial Courts.

State of Kansas
Notes to the Financial Statements
June 30, 2003

I. Summary of Significant Accounting Policies

Discrete Component Units

Discrete component units are entities that are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column to emphasize that they are legally separate from the primary government and are governed by separate boards.

Following is a brief description of the State's two component units:

<u>Component Unit</u>	<u>Description: Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Kansas Development Finance Authority (KDFA)	The State appoints a voting majority of the board of KDFA and has the power to impose its will on KDFA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Development Finance Authority 555 South Kansas Avenue, Suite 202 Topeka, Kansas 66603
Kansas Technology Enterprise Corporation (KTEC)	The State appoints a voting majority of the board of KTEC and has the power to impose its will on KTEC. There is a potential for KTEC to impose specific financial burdens or provide specific financial benefits to the State. KTEC is fiscally dependent on the State.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Technology Enterprise Corporation 214 SW 6 th Avenue, Suite 100 Topeka, Kansas 66603

Complete financial statements for each of the individual component units may be obtained from their respective administrative offices at the above noted addresses.

The Component Units columns of the government-wide financial statements include the financial data of the following entities:

COMPONENT UNITS

Kansas Development Finance Authority (KDFA) was established by Chapter 57, 1987 Session Laws of Kansas. Its enabling statutes are found in K.S.A. 74-8901 et seq., as amended and supplements. KDFA is a public body politic and corporate, constituting an independent instrumentality of the State of Kansas. KDFA was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

I. Summary of Significant Accounting Policies

Kansas Technology Enterprise Corporation (KTEC) is a body politic, corporate, and an instrumentality of the State of Kansas, which was created by the Legislature of the State in March 1996 (K.S.A. 74-8101). The responsibilities and duties of the existing State Office of Advanced Technology were transferred to KTEC effective January 12, 1987. KTEC's principal statutory functions and responsibilities are as follows:

- To foster innovation in existing and developing businesses, especially the creation, growth, and expansion of Kansas enterprises in a diversified range of primary sectors which develop value-added products, processes, and services.
- To invest in basic research, applied research and development, and technology transfer at Kansas educational institutions which meet competitive standards of excellence and which create innovative collaboration between Kansas educational institutions and Kansas enterprises.
- To award applied research matching grants to Kansas educational institutions and Kansas private enterprises in order to move innovation and applied research toward commercial application.
- To engage in seed-capital financing for the development and implementation of innovations or new technologies for existing resource, technology-based, and emerging Kansas businesses.
- To provide technical referral services to such small, new, emerging, or mature businesses and encourage Kansas educational institutions to establish technical information databases and industrial liaison offices, which are easily accessible by both private and public sector Kansas organizations.

B. Government-wide and Fund Financial Statements

Government-wide Statements – The statement of net assets and the statement of activities report information of the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the duplication of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the State and between its discretely presented component units. Governmental activities are generally supported by taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are supported in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The State classifies State spending by function of government and by category of expenditure. Function of government is a grouping of agencies, which make expenditures for similar programs and purposes. There are seven functions of government: (1) general government; (2) human resources; (3) education; (4) public safety; (5) agriculture and natural resources; (6) transportation; and (7) health and environment. *General Government* includes State agencies with both administrative and regulatory functions. These agencies include the State's elected officials and the Department of Administration. *Human Resources* agencies provide services to individuals. *Education* agencies provide various educational services to Kansans. *Public Safety* agencies ensure the safety and security of Kansas' citizens. *Agriculture and Natural Resources* agencies protect the natural and physical resources of the State and regulate the use of those resources. *Transportation* includes only the Department of Transportation. Responsibilities of this agency include maintenance and construction of highways in Kansas. The *Health and Environment* agency optimizes the promotion and

I. Summary of Significant Accounting Policies

protection of the health of Kansans through efficient and effective public health programs and services and through preservation, protection, and remediation.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements – The fund financial statements provide information about State funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include income and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from income and sales taxes is recognized in the fiscal year the underlying exchange occurred, while revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are due at year-end and collected within sixty days thereafter. Expenditures generally are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the State funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the policy of the State to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

D. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is

I. Summary of Significant Accounting Policies

designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows:

Governmental Funds:

These funds include the State's main operating fund, special revenue funds, capital projects funds, and debt service funds.

General Fund – This is the primary operating fund of the State. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Transportation Fund – This fund is the primary operating fund of the Department of Transportation. The Department of Transportation has the statutory responsibility to coordinate planning, development and operation of the various modes and systems of transportation in the State.

Transportation-Capital Projects Fund – This fund accounts for the financial resources to be used for construction of major capital facilities for the Department of Transportation.

Social and Rehabilitation Services Fund – This fund accounts for all the activities of the Department of Social and Rehabilitation Services.

Proprietary Funds:

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

Water Fund– This fund accounts for the Water Pollution Control and Public Water Supply Revolving Loan funds controlled by the Department of Health and Environment.

Employment Security Fund – This fund accounts for unemployment insurance for the deposit of moneys requisitioned for the Kansas Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits.

University System – This fund accounts for the six State universities controlled by the Board of Regents and their component units.

Internal Service Funds - These funds account for printing, information technology, accounting, motor pool, aircraft, building maintenance, architectural, central mail, workers' compensation, and capitol security services provided to other departments on a cost-reimbursement basis.

Fiduciary Funds:

The State presents as Fiduciary Funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units.

I. Summary of Significant Accounting Policies

Pension Trust Fund -- This fund is used to account for the assets, liabilities, and fund equities held in trust for the Kansas Public Employees Retirement System.

Investment Trust Fund -- This fund is used to account for the assets, liabilities, and fund equities held in trust for the Kansas Municipal Investment Pool.

Agency Funds - These funds account for assets held by the State in a custodial capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Both government-wide and proprietary funds financial statements of the State follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The effect of interfund activity has generally been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses are generated from providing services or products in connection with the enterprise operations of the funds.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash balances of funds in the State Treasury are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by the Pooled Money Investment Board (PMIB) and are reported at fair value, based on quoted market prices.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash.

The investment policies of the PMIB are governed by State statutes. The primary objectives are to attain safety, liquidity, and yield. Allowable investments for State pooled moneys not held in Kansas financial institutions are as follows:

- Direct obligations of, or obligations except mortgage backed securities, that are insured as to principal and interest by the U.S. Government, or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Interfund loans to various State agencies as mandated by the Kansas Legislature limited to not more than the lesser of 10% or \$80,000,000 of total investments.
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed \$55 million
- High grade commercial paper

I. Summary of Significant Accounting Policies

Specific Fund Investments – State statutes permit investing cash balances not included in the PMIB in the following types of investments:

- U. S. Government obligations
- Mortgage backed securities
- Corporate securities
- U.S. Government agency securities
- Repurchase agreements
- Commercial paper not to exceed 270 days to maturity and rated within the two highest commercial paper ratings
- State of Kansas agency bonds, with maturities not to exceed four years

In addition to the above investments, short-term bond proceeds may be invested at the direction of KDFA through the PMIB.

Kansas Municipal Investment Pool - The Kansas Municipal Investment Pool (MIP) was created on July 1, 1992, as a voluntary, State-managed investment alternative for State and local funds. The Office of the Kansas State Treasurer (Treasurer) acts as the custodian for all moneys deposited. All Kansas governmental units, including cities, counties, school boards and other governmental entities holding public moneys are eligible to participate in the MIP. The assets of the MIP are combined with State moneys to form the Pooled Money Investment Portfolio.

Kansas Public Employees Retirement System (KPERS) Investments - The Retirement System's investment categories, as permitted by statute, include equities, fixed income securities, cash equivalents, real estate, derivative products and alternative investments. KPERS values its investments at fair value. In fulfilling its responsibilities, the Board of Trustees contracts with investment management firms and a master global custodian.

Investment Income Allocation – State statutes require interest earned to be credited to the State General Fund unless required by law to be credited based on average daily balance to a specific fund.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables are shown net of an allowance for uncollectibles.

Inventories

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the government-wide financial statements are accounted for using the consumption method. Inventories in the governmental funds financial statements

I. Summary of Significant Accounting Policies

are on the purchases method. The purchases method provides that inventory be treated as an expenditure when purchased. Consumable supplies are reported only if over \$200,000 per agency.

The governmental funds statements have a current financial resources focus. As a result, modified accrual adjustments to capitalize inventory at year-end affect beginning fund balance rather than expenditures. The focus on current financial resources is better maintained by not adjusting the expenditures for the amount of inventory reclassified to the balance sheet. The government-wide statements, however, require the full accrual adjustment to expenditures to properly reflect the amount of inventory consumed during the fiscal year.

Deferred Bond Issuance Costs

Deferred bond issuance costs consist of the costs incurred related to bond issuance. These costs are capitalized and amortized over the term of the bonds using the straight-line method.

Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by bond requirements. The Employment Security Fund was established by law as a special fund separate and apart from all public money or funds of the State. The cash is maintained in a separate bank account with the U.S. Treasury.

Capital Assets

Capital assets are reported at actual or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Construction in process is capitalized. Capitalization policies (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Land	\$100,000	Not applicable	Not applicable
Buildings and leasehold improvements	100,000	Straight-line	40 years
Furnishings and equipment	5,000	Straight-line	8 years
Automobiles	5,000	Straight-line	5 years

The depreciation method is straight line with no salvage value. Accumulated depreciation is calculated in total by class of assets by year using the one half year convention in year of purchase. No depreciation is recorded for land and construction in progress.

Works of art and historical items are not capitalized. It is the intent of the State of Kansas that all art works and historical objects be held for the purpose of exhibition to the public to further education and research. It is also the intent to preserve and protect such items to insure their availability to future generations. If any items are sold from any collection, the proceeds from such disposition are intended to be set aside for future acquisitions for the collections.

I. Summary of Significant Accounting Policies

Infrastructure

The roadway system and bridge system are reported using the modified approach. Accordingly, depreciation is not reported for these systems, and all expenditures, except for additions and improvements are expensed.

Compensated Absences

Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 6.5 hours per pay period, and may accumulate a maximum of 240 hours. Upon retirement or termination, employees are paid for accrued vacation leave up to their maximum accumulation. State employees earn sick leave at the rate of 3.7 hours per pay period. Employees who terminate are not paid for unused sick leave. Employees who retire are paid a portion of their unused sick leave based on years of service and hours accumulated. The State uses the vesting method to compute the sick leave liability.

Bonds and Notes Payable

Bonds and notes payable consist of notes and bonds issued to finance capital improvements for various projects. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and deferred bond issuance costs are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond issuance costs are reported as an other asset and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as deferred bond issuance costs, during the current period. The face amount of bond debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Deferred bond issuance costs are reported as debt service expenditures.

Other Long-term Obligations

Other long-term obligations consist of claims and judgments, capital leases payable, and other miscellaneous long-term obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, other long-term obligations are reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

For the year ended June 30, 2003, expenditures did not exceed appropriations or limitations.

B. Deficit Fund Equity

The State General Fund year end payables and commitments exceeded the resources resulting in a negative fund balance in fiscal year 2003. The Transportation – Capital Projects Fund also had a deficit fund balance due to the demand bonds.

State of Kansas
Notes to the Financial Statements
June 30, 2003

III. Detailed Notes on All Funds

A. Deposits and Investments

A summary of deposits and investments at June 30, 2003 is as follows (expressed in thousands):

	Governmental and Business- type Activities	Pension Trust	Investment Trust	Agency	Total
Cash deposits with financial institutions	\$ 180,703	\$ 471	\$ 30,204	\$ 24,397	\$ 235,775
Pooled investments, at fair value	1,106,274	4,790	306,817	247,828	1,665,709
Cash with US Treasury	390,109	0	0	0	390,109
Imprest funds and agency bank accounts	1,300	0	0	0	1,300
Canteen, members' benefit, members' money in agency's custody	0	0	0	7,005	7,005
Kansas Public Employees Retirement System (KPERs) Investments	0	11,248,449	0	0	11,248,449
Investments owned by other funds	1,172,657	0	0	717,626	1,890,283
Total	\$ 2,851,043	\$ 11,253,710	\$ 337,021	\$ 996,856	\$ 15,438,630

State Treasury and Municipal Investment Pool Balance

Cash balances in the State Treasury are held in numerous bank accounts. Available cash balances beyond immediate needs are pooled for short-term investment purposes. The cash balances and investments are combined and reported under the caption of "Cash and cash equivalents." The State Treasury and Municipal Investment Pool Balance as of fiscal year-end is comprised as follows (expressed in thousands):

	FY 2003 Fair Value
<i>Cash</i>	
Kansas banks demand accounts	\$ 39,524
Moneys in custodial demand accounts	1,924
Cash items	153
Cash in transit	122,378
Unemployment trust fund cash with U.S. Treasury	390,109
<i>Investment Pool Securities at Fair Value</i>	
Kansas banks certificates of deposit	101,800
U.S. Government agencies securities	47,934
Commercial paper	689,313
Repurchase agreements	761,400
Public water supply loan fund	5,000
Unclaimed property invested by KPERs	91,459
Linked deposits	54,819
<i>Loans Receivable</i>	13,646
 Total State Treasury and Municipal Investment Pool Balance	 2,319,459
Less: unredeemed KDOT warrants and other reconciling items	27,866
Total Deposits	\$ 2,291,593

State of Kansas
Notes to the Financial Statements
June 30, 2003

III. Detailed Notes on All Funds

At June 30, 2003, the carrying amount (book balance) of the deposits included in the State Treasury balance was \$3199 million. At June 30, 2003, the State Treasurer had \$198.1 million in the associated bank balances. For cash deposits with financial institutions, the State requires that its depository banks pledge collateral that has a market value equal to or greater than the deposits. The State's deposits with financial institutions were fully collateralized at fiscal year-end by FDIC insurance or pledged collateral (either government securities, FHLB letters of credit or surety bonds). The pledged securities and bonds are held in safekeeping for the State Treasurer at the Federal Reserve Bank of Kansas City or in approved custodial banks and are held in the name of the State.

The cash balances in the State Treasury are included in the financial statements in the category "Cash and cash equivalents." Also included in this category are amounts outside the State Treasury such as cash in agencies' imprest funds and authorized bank accounts, canteen, benefit and members' moneys in agencies' custody.

Component Unit-KTEC

All deposits are stated at cost, which approximates market. KTEC currently maintains cash balances only in interest-bearing bank accounts, certificates of deposit, and repurchase agreements, though the investment policy allows other investments in accordance with State guidelines.

KTEC's cash consisted of the following (expressed in thousands):

	Total
Bank deposits (interest-bearing bank accounts) and repurchase agreements	\$ 2,032
Certificates of deposit	2,159
Cash held by the State	47
Total	<u>\$ 4,238</u>

Component Unit-KDFA

KDFA (the Authority) considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Authority monitors the amount of securities pledged by financial institutions as collateral to secure the deposits of the Authority in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Statutes authorize the Authority, "to invest moneys of the Authority not required for immediate use, including proceeds from the sale of any bonds, in such manner as the board shall determine, subject to any agreement with bondholders stated in the authorizing resolution providing for the issuance of bonds."

At June 30, 2003, the carrying amount (book balance) of the Authority's deposits including its investments in certificates of deposit, was \$4,345,574. The associated bank balances as of June 30, 2003, totaled \$4,373,845. Of the bank balance, \$100,000 was covered by federal depository insurance, \$4,327,546 was covered by collateral held at the bank in the Authority's name, and \$36,413 was being held in an account managed by the Kansas State Treasurer's Office.

State of Kansas
Notes to the Financial Statements
June 30, 2003

III. Detailed Notes on All Funds

B. Investments

Investments included in the State Treasury Balance and Municipal Investment Pool Balance, Specific Agency Fund Investments, and investments of the Kansas Public Employees Retirement System are classified into the following three risk categories:

1. Insured or registered, or securities held by the State or its agent in the name of the State.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the name of the State.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the name of the State.

Investments included in the State Treasury and Municipal Investment Pool Balance are classified as risk category 1.

The State's other investment balances at June 30, 2003, were as follows (expressed in thousands):

Primary Government

	Category			
	1	2	3	Fair Value
<i>Investments subject to categorization</i>				
U.S. Government agency securities	\$ 584,078	\$ 0	\$ 0	\$ 584,078
Mortgage backed securities	1,721	0	0	1,721
Repurchase agreements	195,240	0	0	195,240
Corporate securities	59,707	0	0	59,707
U.S. Government obligations	535,524	0	0	535,524
Municipal securities	1,880	0	0	1,880
Kansas banks	1,884	0	0	1,884
Total investments subject to categorization	\$ 1,380,034	\$ 0	\$ 0	\$ 1,380,034

Investments not subject to categorization

State of Kansas Municipal Investment Pool	148
Money Market Investments	90
Guaranteed investment contracts	172,798
Security deposits held by the Kansas Insurance Department	227,086
Regents' investments not subject to GASB 3	110,127
Total investments	<u>\$ 1,890,283</u>

State of Kansas
Notes to the Financial Statements
June 30, 2003

III. Detailed Notes on All Funds

Component Unit-KTEC

The following table summarizes the KTEC's cash and investments at June 30, 2002 (expressed in thousands):

	Category			Fair Value
	1	2	3	
<i>Cash and investments subject to categorization</i>				
Deposits covered by federal depository insurance or collateral held by KTEC or its Agent in KTEC's name	\$ 1,796	\$ 0	\$ 0	\$ 1,796
Deposits covered by collateral held by pledging financial institution's trust department or by its Agent in KTEC's name	0	2,395	0	2,395
Total subject to categorization	<u>\$ 1,796</u>	<u>\$ 2,395</u>	<u>\$ 0</u>	<u>\$ 4,191</u>
<i>Cash and investments not subject to categorization</i>				5,599
Total cash and investments				<u>\$ 9,790</u>

Component Unit-KDFA

The following table summarizes KDFA's cash and investments at June 30, 2003 (expressed in thousands):

	Category			Fair Value
	1	2	3	
<i>Cash and investments subject to categorization</i>				
United States Government Securities	\$ 4,346	\$ 0	\$ 0	\$ 4,346
<i>Cash and investments not subject to categorization</i>				
State of Kansas Municipal Investment Pool				667
Total cash and investments				<u>\$ 5,013</u>

III. Detailed Notes on All Funds

Kansas Public Employees Retirement System Investments

Presently, the retirement System has investments in the financial futures market. Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Daily, the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of counterparties to futures contracts is minimal. At June 30, 2003, the Retirement System had futures contracts with a fair value of approximately \$124,000,000. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the Statement of Investment Policy.

The Retirement System's Statement of Investment Policy authorizes participation in a securities lending program administered by the master global custodian, Mellon Trust. The System receives income from the loan of the securities, in addition to the income, which accrues to the System as owner of the securities. The securities loans are open contracts and therefore could be terminated at any time by either party. The type of securities lent include U.S. Government securities, domestic and international equities, and domestic and international bonds.

The borrower collateralizes the loan with either cash or government securities of 102 percent of fair value on domestic securities and 105 percent of fair value on international securities loaned. Cash collateral is invested in the Retirement System's name in a dedicated short-term investment fund consisting of investment grade debt securities. The System does not have the ability to pledge or sell collateral securities without a borrower default. At June 30, 2003, the maturities of securities in this dedicated bond portfolio are as follows: 73 percent of the fair value of the securities mature within 30 days; 12 percent mature between 31 and 180 days; and 15 percent mature after 180 days.

The custodian provides for full indemnification to the retirement System for any losses that might occur in the event of borrower default. Therefore, the Retirement System does not incur any credit risk as it relates to this activity. The securities on loan are marked to market daily to ensure the adequacy of the collateral. The fair value of securities on loan as of June 30, 2002, and June 30, 2003, were \$1,525,751,916 and \$1,827,580,110, respectively. Collateral held by the Retirement System for June 30, 2002, and June 30, 2003 was \$1,568,498,413 and \$1,881,337,715, respectively. Net income produced from securities lending activities for fiscal year 2002 was \$3,310,985 and for fiscal year 2003 was \$3,803,825.

The Retirement System's international investment managers use forward contracts to hedge the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward contracts to enhance returns or to control volatility. The Retirement System also contracts with a currency overlay manager to manage the currency exposure to the System's passive international equity portfolio. Currency risk arises due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counterparties. The Retirement System could incur a loss if its counterparties failed to perform pursuant to terms of their contractual obligations. Controls are established by the investment managers to monitor the creditworthiness of the counterparties.

All forward foreign currency contracts are carried at fair value by the Retirement System. As of June 30, 2003, the System had sold forward currency contracts with a fair value of \$1,298,196,948 and had bought forward currency contracts with a fair value of \$1,310,552,185. Purchases of forward currency contracts are liabilities reported as Securities Purchased, and sales of forward currency contracts are receivables reported as Sale of Investment Securities.

State of Kansas
Notes to the Financial Statements
June 30, 2003

III. Detailed Notes on All Funds

The Retirement System also participates in option contracts. These contractual agreements give the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by the Retirement System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations.

At fiscal year-end, investments held by the Kansas Public Employees Retirement System categorized by level of risk were as follows (expressed in thousands):

	Category			
	1	2	3	Fair Value
<i>Investments subject to categorization</i>				
Domestic equities	\$ 2,947,882	\$ 0	\$ 0	\$ 2,947,882
International equities	1,344,149	0	0	1,344,149
Fixed Income	1,841,092	0	313,271	2,154,363
Short-term corporate note	128,733 ⁽¹⁾	0	1,280,745 ⁽²⁾	1,409,478
Short-term federal agency	199,429 ⁽¹⁾	0	0	199,429
Foreign currency	16,349	0	0	16,349
Total subject to categorization	<u>\$ 6,477,634</u>	<u>\$ 0</u>	<u>\$ 1,594,016</u>	<u>\$ 8,071,650</u>
<i>Investments not subject to categorization</i>				
Alternative investments ⁽³⁾				\$ 483,144
Real estate				616,124
Money market mutual funds				270,499
Securities on loan ⁽⁴⁾				1,807,033
Total not subject to categorization				<u>\$ 3,176,800</u>
Total investment at fair value				\$ 11,248,450

⁽¹⁾ Fixed securities maturing within ninety days of purchase date.

⁽²⁾ Securities lending cash collateral invested with maturities within ninety days of fiscal year end.

⁽³⁾ Alternative investments include direct placement and investments in limited partnership.

⁽⁴⁾ Market value of securities loaned, with cash collateral.

State of Kansas
Notes to the Financial Statements
June 30, 2003

III. Detailed Notes on All Funds

C. External Investment Pool

The Kansas Municipal Investment Pool (MIP) was created on July 1, 1992, as a voluntary, State-managed investment alternative for State and local funds. The Kansas State Treasurer's Office acts as the custodian for all moneys deposited. All Kansas governmental units, including cities, counties, school districts and other governmental entities holding public moneys are eligible to participate in the MIP.

The MIP is considered a mixed pool because the State of Kansas is a participant in the pool. At June 30, 2003, the State's participation in the Pool was \$815,000. The assets of the MIP are combined with State moneys to form the Pooled Money Investment Portfolio (PMIP). Investments subject to categorization of the PMIP are all category 1.

The MIP structure provides fixed rate investment alternatives between thirty and one hundred seventy nine days plus one hundred eighty, and three hundred sixty five-day maturities as well as a variable rate, daily liquidity, overnight investment alternative. Participants' ownership in the fund is based on their deposits and is reflected as accounts payable and other liabilities on the statement of fiduciary net assets. The MIP is valued on a monthly basis. A copy of the annual report is available on request from the State Treasurer.

D. Receivables

Accounts receivable as of June 30, 2003, for the State's major funds including the applicable allowances for uncollectible accounts, are as follows (expressed in thousands):

Accrued interest	\$ 3,885
Taxes receivable	529,860
University receivables	146,840
Health care stabilization	3,388
Employment security	2,564
Lottery	7,414
SRS receivables	148,026
Water fund	516,199
KDOT	165,450
Total	<u>\$ 1,523,626</u>

Taxes receivable are shown net of allowances for uncollectible taxes of \$214,046 and net of estimated individual and corporate refunds of \$219,668.

State of Kansas
Notes to the Financial Statements
June 30, 2003

III. Detailed Notes on All Funds

E. Investment in Direct Financing Leases

Component Units

The Kansas Development Finance Authority (KDFA) issues lease revenue bonds to facilitate construction of certain capital projects for various State agencies. KDFA's interests in the projects have been assigned to various State government units through the use of financing lease transactions. Contained in the trust indenture or resolution and lease agreement for each series of bonds is a capital lease provision by which lease revenues paid by the various governmental units, as tenants, to KDFA as lessor, are pledged to pay bond debt service. Amounts are actually paid by the State agencies directly to the bond paying agents for the lease revenue bonds.

Net investment in direct financing leases as of June 30, 2003, are as follows (expressed in thousands):

Total minimum lease payments to be received	\$ 454,001
Less: unearned income	<u>(147,461)</u>
Net investment in direct financing leases	<u><u>\$ 306,540</u></u>

The future minimum lease payments to be received by KDFA under the direct financing leases mirrors the payments to be made by KDFA under the lease revenue bonds payable.

F. Restricted Assets

Certain revenue bond proceeds and other resources set aside for bond repayment, capital projects, and other purposes are reported as restricted assets in the Statement of Net Assets because their use is limited by applicable bond covenants or statutory provisions.

State of Kansas
Notes to the Financial Statements
June 30, 2003

III. Detailed Notes on All Funds

G. Capital Assets

Primary Government

(expressed in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities</i>				
Capital assets, not being depreciated				
Land	\$ 114,390	\$ 13,589	\$ 469	\$ 127,510
Land improvements	83,121	3,103	12,946	73,278
Construction in progress	10,967	38,460	245	49,182
Infrastructure (including construction in progress)	8,619,944	473,803	343,006	8,750,741
Total capital assets, not being depreciated	<u>8,828,422</u>	<u>528,955</u>	<u>356,666</u>	<u>9,000,711</u>
Capital assets, being depreciated:				
Buildings and improvements	724,867	87,255	11,886	800,236
Equipment and furnishings	381,366	42,451	24,295	399,522
Vehicles	70,303	6,831	10,815	66,319
Water rights	27,273	0	0	27,273
Totals	<u>1,203,809</u>	<u>136,537</u>	<u>46,996</u>	<u>1,293,350</u>
Less accumulated depreciation for:				
Buildings and improvements	276,522	17,678	12,063	282,137
Equipment and furnishings	195,161	29,847	20,777	204,231
Vehicles	38,372	11,594	10,815	39,151
Water rights	10,413	601	0	11,014
Totals	<u>520,468</u>	<u>59,720</u>	<u>43,655</u>	<u>536,533</u>
Total capital assets, being depreciated, net	<u>683,341</u>	<u>76,817</u>	<u>3,341</u>	<u>756,817</u>
Governmental activity capital assets, net	<u>\$ 9,511,763</u>	<u>\$ 605,772</u>	<u>\$ 360,007</u>	<u>\$ 9,757,528</u>
<i>Business-type activities</i>				
Capital assets, not being depreciated				
Land	\$ 21,124	\$ 3,164	\$ 54	\$ 24,234
Land improvements	70,254	7,304	1,390	76,168
Construction in progress	63,177	86,014	25,473	123,718
Total capital assets, not being depreciated	<u>154,555</u>	<u>96,482</u>	<u>26,917</u>	<u>224,120</u>
Capital assets, being depreciated				
Buildings and improvements	1,321,339	55,013	26,115	1,350,237
Equipment and furnishings	322,294	43,803	15,292	350,805
Vehicles	34,139	5,089	1,740	37,488
Totals	<u>1,677,772</u>	<u>103,905</u>	<u>43,147</u>	<u>1,738,530</u>
Less accumulated depreciation for:				
Buildings and improvements	585,918	36,128	8,664	613,382
Equipment and furnishings	217,586	28,558	15,885	230,259
Vehicles	26,228	5,837	1,520	30,545
Totals	<u>829,732</u>	<u>70,523</u>	<u>26,069</u>	<u>874,186</u>
Total capital assets, being depreciated, net	<u>848,040</u>	<u>33,382</u>	<u>17,078</u>	<u>864,344</u>
Business-type activity capital assets, net	<u>\$ 1,002,595</u>	<u>\$ 129,864</u>	<u>\$ 43,995</u>	<u>\$ 1,088,464</u>

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Depreciation expense was charged to functions/programs as follows (expressed in thousands):

Governmental activities

General government	\$ 15,015
Human resources	4,140
Education	1,179
Public safety	16,130
Agriculture and natural resources	3,489
Highways and other transportation	18,665
Health and environment	1,102
Total depreciation expense – Government activities	<u>\$ 59,720</u>

Business-type activities

Health care stabilization	\$ 6
Lottery	194
Universities	70,323
Total depreciation expense – Business-type activities	<u>\$ 70,523</u>

Component Units

Activity for KDFA for the year ended June 30, 2003, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, being depreciated</i>				
Furniture and equipment	\$ 150	\$ 9	\$ (2)	\$ 157
Buildings and improvements	98	0	0	98
Less Accumulated depreciation	(96)	(47)	2	(141)
Total capital assets, being depreciated, net	<u>\$ 152</u>	<u>\$ (38)</u>	<u>\$ 0</u>	<u>\$ 114</u>

Activity for the KTEC for the year ended June 30, 2002, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, being depreciated</i>				
General fixed assets	\$ 174	\$ 0	\$ 0	\$ 174
Furniture and equipment	1,077	464	0	1,541
Less accumulated depreciation	(890)	(444)	0	(1,334)
Total capital assets, being depreciated, net	<u>\$ 361</u>	<u>\$ 20</u>	<u>\$ 0</u>	<u>\$ 381</u>

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Construction Commitments

Primary Government

The State has active construction projects as of June 30, 2003. The projects include road projects, dam repair, building remodeling and restoration, and new juvenile correctional facilities. The Kansas Department of Transportation (KDOT) has outstanding commitments at June 30, 2003 for various highway projects in the amount of \$872 million. KDOT's commitments will be funded by revenues from various Federal, State, and local sources primarily in the form of matching Federal highway construction funds, motor fuel taxes, and vehicle registrations and permits. At year-end, the remaining State's commitments with contractors are as follows (expressed in thousands):

Agency – Project	Spent -to- Date	Remaining Commitment	Funding Source
Wildlife and Parks – road project	\$ 683	\$ 839	Department Access Road Fund
Wildlife and Parks – dam repair	1,084	1,366	Wildlife Conservation Fund
Social and Rehabilitation Services - State Security Hospital (Larned, KS)	8,606	33,255	Bonds to be paid from State Institutional Building Fund
Department of Administration – Brigham building remodeling	2,394	67	Lease revenue bonds secured by lease rents
Statehouse restoration and renovation	20,211	20,456	Lease revenue bonds secured by lease rents
Lane Co. Senior Living (Dighton, KS)	74	1,006	Partnership Loan Program
Juvenile Justice Authority – Kansas Juvenile Correctional Complex	30,296	1,368	Revenue bonds, grants, and fund appropriations
Larned Juvenile Correctional Facility	19,225	260	Revenue bonds, grants and fund appropriations
Department of Human Resources - Building renovation	1,819	1,831	Bonds to be paid from the Special Employment Security Fund
Fort Hays State University Married student housing renovation	657	2,943	Revenue bonds secured by project revenues
Wichita State University – Koch Arena renovation	17,833	0	Revenue bonds, student fees, athletic funds, and donations
Kansas State University - Food Safety and Security Research Facility	767	39,263	Revenue bonds secured by research overhead revenues, Kansas Educational Building Fund
Biological and Industrial Value Added Building	2,462	4,538	Kansas Educational Building Fund, University funds
Christian Track System	1,258	117	University funds
Ackert Hall Phase III	48	5,952	Kansas Educational Building Fund
University of Kansas – Robert J. Dole Institute of Politics	8,801	2,499	Federal grants and donations
Ellsworth Hall project	10,034	2,433	Revenue bonds secured by project revenues
Eaton Hall project	11,177	3,977	Private donations
Student Recreation and Fitness Center	11,431	4,868	Revenue bonds secured by project revenues
Bioscience research equipment	0	5,000	Revenue bonds secured by research overhead revenues
Reiger Scholarship Hall project	78	3,539	Private donations
Hall Center for the Humanities	312	5,288	Private donations
Edwards Campus Building No. 2	2,382	13,236	Revenue bonds secured by project revenues, private donations
Energy Performance Contract	6,825	11,568	University payments through Master Lease Program
Total	<u>\$ 158,457</u>	<u>\$ 165,669</u>	

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H. Interfund Receivables, Payables, and Transfers

Due from/to other funds

Due from/to other funds represent interfund accounts receivable and payable. The total of due from/to other funds at June 30, 2003, is as follows (expressed in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 4,850	\$ 823
Social and Rehabilitation Fund	0	110
Non-major Governmental Funds	6,400	100
University System Fund	0	3,235
Non-major Enterprise Funds	0	4,850
Internal Service Funds	0	2,130
Total	<u>\$ 11,250</u>	<u>\$ 11,248</u>

Due from/to component units

Receivables and payables between funds and component units at June 30, 2003, were as follows (expressed in thousands):

Fund	Due from Component Units	Due to Component Units
Non-major Governmental Funds		
Current	\$ 0	\$ 18,875
Non-current	0	287,665
Total	<u>\$ 0</u>	<u>\$ 306,540</u>

Advances from/to other funds

Advances from/to other funds represent long-term loans from one fund to another fund. Advances at June 30, 2003, were as follows (expressed in thousands):

Fund	Advances from Other Funds	Advances to Other Funds
General Fund	\$ 119,582	\$ 0
Social and Rehabilitation Fund	107	80
Transportation Fund	0	94,609
Non-major Governmental Funds	117	76,081
University System Fund	49,326	399
Non-major Enterprise Funds	0	4,000
Internal Service Funds	6,064	29
Total	<u>\$ 175,196</u>	<u>\$ 175,198</u>

The interfund balances designated as due from/to other funds are short-term receivables and payables resulting from the time lag between the dates that a) interfund goods and services are provided or reimbursable expenditures occur; b) transactions are recorded in the accounting system; and c) payments between funds are made.

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The balances designated as due from/to component units are receivables and payables that have both a short-term component and a long-term component. For more information on these balances see Note III. E. Investment in Direct Financing Leases.

The interfund balances designated as advances from/to other funds are long-term loans from one fund to another fund. The Transportation Fund advanced to the General Fund \$94.6 million for the purpose of reducing the General Fund deficit. Additional amounts totaling \$15.9 million have been advanced to the General Fund from Non-major Enterprise Funds (\$4 million) and several Non-major Governmental Funds (\$11.9 million). These loans are to be repaid by the General Fund over a four-year period, beginning in fiscal year 2007.

The \$76 million in advances to other funds by non-major governmental funds represents a portion of the master lease program payable from other funds. For more information about the master lease program see Note III. J. Long-term Obligations – Primary Government, Governmental Funds.

Interfund transfers (expressed in thousands):

Transfer out:	Transfer in:			Total
	Non-major Governmental Funds	University System Fund	Non-major Enterprise Funds	
General Fund	\$ 0	\$ 652,649	200	\$ 652,849
Social and Rehabilitation Fund	213,398	0	0	213,398
Transportation Fund	189,447	0	0	189,447
Transportation-Capital Projects Fund	306	0	0	306
Unemployment Insurance Fund	1,358	0	0	1,358
University System Fund	0	0	2,186	2,186
Non-major Enterprise Funds	44,546	79,507	0	124,053
Total transfers out	<u>\$ 449,055</u>	<u>\$ 732,156</u>	<u>2,386</u>	<u>\$ 1,183,597</u>
Total transfers in				<u>\$ 1,183,597</u>

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III. Detailed Notes on All Funds

I. Short-term Obligations

Short-term obligations at June 30, 2003 and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/02 Beginning Balance	Additions	Deletions	6/30/03 Ending Balance
<i>Governmental Activities</i>				
Certificates of Indebtedness	\$ 0	\$ 450,000	\$ 450,000	\$ 0
Accrued receivables for State Building Fund	0	18,314	18,314	0
Accrued receivables for Children's Initiatives Fund	0	22,427	22,427	0
KDFA Series 2003-1, bond anticipation note, 1.75%	0	6,000	0	6,000
KDFA Series 2001-2 1.84% - 3.125%	4,100	0	4,100	0
Total short-term obligations	<u>\$ 4,100</u>	<u>\$ 496,741</u>	<u>\$ 494,841</u>	<u>\$ 6,000</u>

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of \$450 million was issued on July 1, 2002 and redeemed on June 30, 2003.

Per K.S.A. 76-6b11, on July 1 of each year ad valorem tax and receivables are posted to the State Treasurer's receivables for the State Buildings Fund. The receivable is reduced as the ad valorem taxes are received. In fiscal year 2003, \$12.2 million was posted to the Kansas Educational Building Fund and \$6.1 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in January 2003.

Per 2002 Session Laws, chapter 204, section 83 (h) (I), on July 1, 2002, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as monies are received into the fund. In fiscal year 2003 a receivable was posted for \$22 million and was reduced to zero in April 2003.

The Kansas Development Finance Authority (KDFA) is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the KDFA has authorized the issuance of notes in anticipation of revenue or bond financing. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

The \$4,100,000 KDFA Bond Anticipation Note, Series 2001-2, was issued to fund acquisition of a fleet operations center. Permanent financing was obtained with the issuance and sale of revenue bonds, KDFA Series 2002 N-2, on December 19, 2002, in the amount of \$3,955,000. The bond anticipation note was subsequently redeemed on January 3, 2003.

The \$6,000,000 KDFA Bond Anticipation Note, Series 2003-1, was issued to fund a capital improvement project for the Kansas Army National Guard Armory. The loan was provided by the Pooled Money Investment Board for a term of 180 days (due December 24, 2003) at an interest rate of 1.75%.

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J. Long-term Obligations

A summary of long-term obligations at June 30, 2003 for the fiscal year then ended is as follows (expressed in thousands):

	Government Activities	Business-type Activities	Component Units	Total
Revenue bonds payable	\$ 1,374,622	\$ 878,605	\$ 306,540	\$ 2,559,767
Sales tax limited obligation bonds	136,292	0	0	136,292
Notes payable	25,899	56,163	0	82,062
Capital leases payable	152,539	0	0	152,539
Arbitrage rebate payable	677	4,538	0	5,215
Claims and judgements	42,816	297,372	0	340,188
Compensated absences	95,456	43,858	0	139,314
Total long-term obligations	<u>\$ 1,828,301</u>	<u>\$ 1,280,536</u>	<u>\$ 306,540</u>	<u>\$ 3,415,377</u>

Long-term obligations at June 30, 2003 and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/02 Beginning Balance	Additions	Deletions	6/30/03 Ending Balance	Amounts Due In One Year
Governmental Activities									
<u>Revenue bonds payable:</u>									
KDFA Series 1993 SK -1 & SK -2	1993	3.01 – 5.60%	2003	\$ 3,905	\$ 480	\$ 0	\$ 480	\$ 0	\$ 0
KDFA Series 1996 SK -1	1996	3.30 – 4.75%	2006	8,890	3,990	0	930	3,060	975
KDFA Series 1998 V	1999	4.25 – 5.00%	2008	11,195	8,025	0	1,180	6,845	1,240
KDFA Series 1999 E	1999	4.00 – 5.00%	2009	34,470	25,150	0	3,125	22,025	3,280
KDFA Series 2001 M	2002	3.50 – 5.00%	2011	32,390	30,390	0	2,000	28,390	3,070
KDOT Series 1992	1992	5.00 – 7.25%	2012	113,950	44,325	0	0	44,325	13,755
KDOT Series 1992 A	1993	4.30 – 5.70%	2005	51,150	19,845	0	13,240	6,605	6,605
KDOT Series 1993	1993	4.40 – 6.00%	2013	250,000	200,550	0	185,870	14,680	14,680
KDOT Series 1993 A	1993	2.65 – 5.63%	2012	147,405	140,680	0	100,820	39,860	900
KDOT Series 1994	1994	3.90 – 6.13%	2014	125,000	106,230	0	39,650	66,580	7,070
KDOT Series 1994 A	1995	4.80 – 5.60%	2015	20,360	14,055	0	4,895	9,160	2,445
KDOT Series 1998	1998	3.65 – 5.50%	2015	189,195	177,365	0	4,255	173,110	4,425
KDOT Series 1999	2000	4.40 – 5.75%	2019	325,000	325,000	0	269,940	55,060	0
KDOT Series 2000 A, B & C	2001	4.50 – 5.85%	2021	350,000	350,000	0	0	350,000	0
KDOT Series 2002 A	2003	Variable	2012	199,600	0	199,600	7,005	192,595	6,905
KDOT Series 2002 B & C	2003	3.39%	2020	320,005	0	320,005	0	320,005	0
KDOT Series 2002 D	2003	Variable	2012	88,110	0	88,110	0	88,110	0
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	2,314	3,085	405	4,994	0
Unamortized deferred refunding difference				0	0	(55,749)	(4,967)	(50,782)	0
Total revenue bonds payable				<u>2,270,625</u>	<u>1,448,399</u>	<u>555,051</u>	<u>628,828</u>	<u>1,374,622</u>	<u>65,350</u>
<u>Sales tax limited obligation bonds:</u>									
1999 KISC	1999	4.20 – 5.25%	2027	17,496	17,496	0	0	17,496	\$ 0
2001 Project Area B	2001	4.00 – 5.10%	2020	20,639	20,639	0	0	20,639	0
2001 NFM	2001	7.27%	2020	46,300	46,299	0	0	46,299	0
2001 Cabelas Series C-1	2001	Variable	2020	37,080	20,315	9,026	403	28,938	860
2001 Cabelas Series C-2	2001	7.27%	2020	9,720	4	3,554	40	3,518	104
2002 Subordinate KISC	2002	5.00 – 8.00%	2022	4,550	0	4,550	0	4,550	403
RED Development	2003	Variable	2020	38,912	0	14,852	0	14,852	0
Total sales tax limited obligation bonds				<u>174,697</u>	<u>104,753</u>	<u>31,982</u>	<u>443</u>	<u>136,292</u>	<u>1,367</u>
<u>Notes payable:</u>									
Water supply storage assurance				1,972	1,110	0	199	911	222
Water supply storage in Federal reservoirs				27,273	19,948	0	622	19,326	448
Landon State Office Building				15,775	3,188	0	939	2,249	562
Uninsurable health insurance plan				2,000	2,000	0	0	2,000	2,000
Printing plant				3,857	1,552	0	139	1,413	167
Total notes payable				<u>50,877</u>	<u>27,798</u>	<u>0</u>	<u>1,899</u>	<u>25,899</u>	<u>3,399</u>
Capital leases payable					122,121	40,064	9,646	152,539	9,002
Arbitrage rebate payable					93	799	215	677	0
Claims and judgments					40,310	299,977	297,471	42,816	24,357
Compensated absences					96,303	0	847	95,456	50,744
Total Governmental Activities				<u>\$ 1,839,777</u>	<u>\$ 927,873</u>	<u>\$ 939,349</u>	<u>\$ 939,349</u>	<u>\$ 1,828,301</u>	<u>\$ 154,218</u>
Business-type Activities									
<u>Revenue bonds payable:</u>									
Board of Regents Series 1969 A	1970	3.00 - 7.13%	2009	\$ 1,100	\$ 290	\$ 0	\$ 40	\$ 250	\$ 40
KDFA Series 1988 F	1989	6.30 - 7.70%	2003	3,500	159	11	170	0	0
KDFA Series 1989 E	1990	6.00 - 7.25%	2010	1,401	811	53	131	733	128
KDFA Series 1993 C	1993	3.25 - 6.00%	2008	1,200	660	0	660	0	0
KDFA Series 1993 SRF I & II	1993	3.25 - 6.13%	2016	71,200	17,680	0	3,470	14,210	14,210
KDFA Series 1994 D	1995	4.75 - 6.60%	2010	2,000	1,335	0	1,335	0	0
KDFA Series 1994 E	1995	4.75 - 6.60%	2010	2,155	1,450	0	1,450	0	0
KDFA Series 1995 F	1996	4.00 - 5.88%	2021	14,055	12,320	0	12,320	0	0
KDFA Series 1995 G	1996	3.80 - 4.75%	2005	2,095	920	0	230	690	240
KDFA Series 1995 I	1996	4.05 - 5.75%	2014	6,915	380	0	380	0	0

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	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/02 Beginning Balance	Additions	Deletions	6/30/03 Ending Balance	Amounts Due In One Year
Business-type Activities (Continued)									
<u>Revenue bonds payable:</u>									
KDFA Series 1995 K	1996	3.75 - 5.40%	2016	\$ 3,835	\$ 3,160	\$ 0	\$ 140	\$ 3,020	\$ 145
KDFA Series 1996 E	1996	3.90 - 5.75%	2021	4,100	3,565	0	100	3,465	105
KDFA Series 1997 1 & 2	1998	4.13 - 5.00%	2020	45,420	42,490	0	1,555	40,935	1,625
KDFA Series 1997 C	1997	4.70 - 5.30%	2011	3,255	2,310	0	215	2,095	230
KDFA Series 1997 G-1 & G-2	1998	3.75 - 5.50%	2012	109,281	88,063	40	6,795	81,308	7,140
KDFA Series 1997 I & II	1997	4.10 - 5.60%	2017	39,260	10,200	0	1,075	9,125	1,370
KDFA Series 1998 1 & 2	1999	3.88 - 5.25%	2021	39,690	37,865	0	1,285	36,580	1,340
KDFA Series 1998 B	1998	3.90 - 5.00%	2018	9,320	8,200	0	315	7,885	325
KDFA Series 1998 D	1998	3.70 - 5.05%	2023	4,290	3,890	0	100	3,790	100
KDFA Series 1998 E	1999	3.40 - 4.90%	2024	4,750	4,555	0	105	4,450	110
KDFA Series 1998 H	1998	3.75 - 4.80%	2013	2,320	1,885	0	120	1,765	125
KDFA Series 1998 II	1998	3.75 - 5.25%	2020	80,500	75,905	0	2,045	73,860	2,135
KDFA Series 1998 P	1999	3.00 - 4.85%	2019	3,650	3,335	0	115	3,220	120
KDFA Series 1999 B	1999	3.60 - 5.00%	2019	2,920	2,730	0	105	2,625	105
KDFA Series 1999 C	1999	4.00 - 5.10%	2019	3,085	2,885	0	105	2,780	110
KDFA Series 1999 D	1999	4.00 - 4.75%	2014	11,170	10,045	0	595	9,450	610
KDFA Series 1999 F	2000	3.70 - 5.00%	2005	5,740	3,030	0	965	2,065	1,010
KDFA Series 2000 B	2000	4.70 - 5.90%	2015	5,705	5,210	0	260	4,950	270
KDFA Series 2000 D	2001	4.60 - 5.60%	2015	1,735	1,580	0	80	1,500	85
KDFA Series 2000 I & II	2000	4.60 - 6.13%	2022	82,915	27,970	0	1,315	26,655	1,780
KDFA Series 2000 1 & 2	2000	4.75 - 5.75%	2023	53,500	53,500	0	735	52,765	1,590
KDFA Series 2001 B	2001	3.65 - 5.20%	2021	2,805	2,730	0	95	2,635	100
KDFA Series 2001 F	2001	3.30 - 5.50%	2012	29,905	29,755	0	2,565	27,190	2,665
KDFA Series 2001 I & II	2002	3.00 - 5.50%	2022	141,045	141,045	0	1,035	140,010	2,120
KDFA Series 2001 N	2001	4.25 - 5.25%	2014	14,260	13,010	0	1,195	11,815	1,255
KDFA Series 2001 U	2002	3.10 - 5.00%	2021	10,295	9,995	0	480	9,515	505
KDFA Series 2002 A	2002	3.50 - 5.00%	2027	26,560	26,560	0	735	25,825	1,040
KDFA Series 2002 II	2003	2.26 - 5.50%	2024	101,575	0	101,575	0	101,575	0
KDFA Series 2002 K	2003	4.30 - 5.00%	2023	5,120	0	5,120	0	5,120	0
KDFA Series 2002 P	2003	3.00 - 5.00%	2021	12,150	0	12,150	0	12,150	450
KDFA Series 2002 1 & 2	2002	4.00 - 5.50%	2024	51,805	51,805	0	0	51,805	0
KDFA Series 2003 A-1 & A-2	2003	1.80 - 5.50%	2023	2,610	0	2,610	0	2,610	85
KDFA Series 2003 C	2003	4.67 - 5.00%	2033	72,670	0	72,670	0	72,670	0
KDFA Series 2003 D-1 & D-2	2003	2.00 - 4.70%	2028	6,470	0	6,470	0	6,470	185
<u>Plus deferred amounts:</u>									
Net unamortized premium (discount)				0	10,046	9,959	961	19,044	0
Total revenue bonds payable				1,099,332	713,324	210,658	45,377	878,605	43,453
<u>Notes payable:</u>									
Plant science building				4,086	1,256	0	183	1,073	207
KSU line of credit - oracle project				886	0	886	76	810	203
Component units of university system				59,903	56,796	741	3,257	54,280	3,589
Total notes payable				64,875	58,052	1,627	3,516	56,163	3,999
Arbitrage rebate payable					5,342	3,089	3,893	4,538	1,100
Claims and judgments					337,200	2,400	42,228	297,372	0
Compensated absences					41,900	1,958	0	43,858	38,681
Total Business-type Activities				\$ 1,155,818	\$ 219,732	\$ 95,014	\$ 1,280,536	\$ 87,233	
Component Units									
<u>Revenue bonds payable:</u>									
KDFA Series 1991 D	1992	4.70 - 6.50%	2007	\$ 1,795	\$ 855	\$ 0	\$ 130	\$ 725	\$ 140
KDFA Series 1993 L	1994	3.40 - 5.15%	2009	3,975	1,485	0	370	1,115	280
KDFA Series 1994 C	1995	4.00 - 5.90%	2010	10,320	2,600	0	345	2,255	350
KDFA Series 1995 E	1996	4.10 - 5.20%	2007	2,734	1,215	0	345	870	365
KDFA Series 1996 A	1996	4.00 - 5.20%	2008	5,105	2,090	0	605	1,485	640
KDFA Series 1996 J	1997	3.85 - 5.40%	2010	5,600	2,145	0	300	1,845	315
KDFA Series 1997 J	1998	3.85 - 4.25%	2003	6,455	1,875	0	1,875	0	0
KDFA Series 1998 L	1999	3.80 - 5.00%	2019	5,590	5,065	0	195	4,870	205
KDFA Series 1999 A-1 & A-2	1999	3.20 - 5.00%	2012	28,210	26,615	0	1,495	25,120	2,830
KDFA Series 1999 H	2000	3.75 - 5.63%	2020	17,830	16,790	0	545	16,245	565
KDFA Series 1999 N	2000	4.00 - 5.88%	2035	21,645	21,105	0	19,240	1,865	0
KDFA Series 2000 R	2001	4.35 - 4.60%	2005	4,530	3,710	0	860	2,850	905
KDFA Series 2000 T	2001	4.35 - 5.13%	2015	2,090	1,990	0	105	1,885	110
KDFA Series 2000 V	2001	4.35 - 5.38%	2021	16,370	15,970	0	555	15,415	1,000
KDFA Series 2001 D	2001	4.25 - 5.25%	2021	48,895	47,590	0	1,550	46,040	1,625
KDFA Series 2001 J	2002	3.50 - 4.30%	2013	5,300	4,990	0	425	4,565	435
KDFA Series 2001 S	2002	4.13 - 5.50%	2021	38,635	32,190	0	6,810	25,380	5,835
KDFA Series 2001W	2002	3.00 - 5.00%	2022	49,865	49,865	0	725	49,140	1,570
KDFA Series 2002 C	2002	3.00 - 5.00%	2022	15,830	15,830	0	0	15,830	575
KDFA Series 2002 H	2003	2.50 - 4.70%	2022	3,765	0	3,765	155	3,610	140
KDFA Series 2002 J-1 & J-2	2003	3.39 - 3.58%	2035	33,355	0	33,355	0	33,355	0
KDFA Series 2002 N	2003	3.00 - 5.25%	2023	52,075	0	52,075	0	52,075	990
Total Revenue Bonds Payable				\$ 379,969	\$ 253,975	\$ 89,195	\$ 36,630	\$ 306,540	\$ 18,875
Total Component Units				\$ 253,975	\$ 89,195	\$ 36,630	\$ 306,540	\$ 18,875	

State of Kansas
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III. Detailed Notes on All Funds

The following table presents annual debt service requirements for those long-term debts outstanding at June 30, 2003, which have scheduled debt service amounts (expressed in thousands):

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
Revenue bonds:						
2004	\$ 65,350	\$ 99,614	\$ 43,453	\$ 42,767	\$ 18,875	\$ 14,837
2005	69,540	91,026	39,125	40,349	18,860	13,148
2006	87,050	82,515	40,006	38,544	16,330	12,416
2007	82,710	78,046	42,324	36,624	15,655	11,732
2008	89,660	73,779	45,172	34,546	15,880	11,025
2009-2013	429,980	263,917	237,246	138,094	72,155	45,076
2014-2018	342,910	102,955	199,620	82,797	72,945	28,097
2019-2023	253,210	20,659	162,810	32,722	64,370	9,056
2024-2028	0	0	37,995	5,564	6,790	1,463
2029-2033	0	0	11,810	1,532	3,220	558
2034-2038	0	0	0	0	1,460	53
Unamortized premium	4,994	0	19,044	0	0	0
Unamortized deferred refunding	(50,782)	0	0	0	0	0
Totals	1,374,622	812,511	878,605	453,539	306,540	147,461
Sales tax limited obligation bonds:						
2004	1,367	12,271	0	0	0	0
2005	1,969	8,217	0	0	0	0
2006	2,565	8,135	0	0	0	0
2007	4,324	8,126	0	0	0	0
2008	4,861	7,980	0	0	0	0
2009-2013	32,022	35,158	0	0	0	0
2014-2018	44,699	24,032	0	0	0	0
2019-2023	37,151	8,872	0	0	0	0
2024-2028	7,334	7,017	0	0	0	0
Totals	136,292	119,808	0	0	0	0
Notes payable:						
2004	3,399	923	3,999	2,497	0	0
2005	1,415	877	3,624	2,291	0	0
2006	1,427	849	3,505	2,114	0	0
2007	1,465	767	3,611	1,962	0	0
2008	687	683	3,541	1,807	0	0
2009-2013	3,427	2,990	21,429	5,250	0	0
2014-2018	3,382	2,389	10,290	4,055	0	0
2019-2023	4,029	1,742	5,397	1,642	0	0
2024-2028	3,696	997	767	208	0	0
2029-2033	2,113	328	0	0	0	0
2034-2038	516	89	0	0	0	0
2039-2043	343	19	0	0	0	0
Totals	25,899	12,653	56,163	21,826	0	0
Capital leases payable	152,539	0	0	0	0	0
Long-term debt without scheduled debt service:						
Arbitrage rebate payable	677	0	4,538	0	0	0
Claims and judgements	42,816	0	297,372	0	0	0
Compensated absences	95,456	0	43,858	0	0	0
Total long-term obligations	\$ 1,828,301	\$ 944,972	\$ 1,280,536	\$ 475,365	\$ 306,540	\$ 147,461

III. Detailed Notes on All Funds

General Obligation Bonds

The State does not have the statutory authority to issue general obligation bonds. However, the Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

Revenue Bonds

The **Kansas Development Finance Authority (KDFA)** was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses. The KDFA has issued numerous outstanding series of bonds. Please reference Note J. above for KDFA revenue bonds.

The **Kansas Department of Transportation (KDOT)** has issued fifteen outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Comprehensive Transportation Program. The State's Comprehensive Transportation Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 1999 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees.

The coupon interest rate on outstanding bonds varies from 2.125 percent to 7.25 percent. In addition, the Series 2000 B and C Bonds and Series 2002 B, C and D Bonds were issued as variable rate instruments whose rates change on a daily and weekly basis, on their respective individual modes. During the year, interest rates ranged from 0.55 percent to 2.02 percent on the daily adjustable bonds and from 0.8 percent to 1.85 percent on the weekly adjustable bonds. The 2000 B and C Bonds and 2002 B, C and D Bonds are subject to tender under certain conditions. If the tendered bonds cannot be remarketed, the PMIB has agreed to purchase the bonds and hold them for a maximum of 180 days. Through June 30, 2003, all bonds tendered have been remarketed. However, since there is not a long-term financing option in place at June 30, 2003 for tendered bonds, the Series 2000 B and C Bonds and 2002 B, C and D Bonds have been recorded as obligations of the Transportation - Capital Project Fund resulting in a deficit fund balance in that fund.

The **Board of Regents of the State of Kansas (Regents)** has issued one outstanding series of Revenue Bonds to construct a dormitory at Emporia State University. Principal and interest payments on the bonds are paid from revenues collected from the operation of the dormitory.

Sales Tax Limited Obligation Bonds

In March 1998, the Unified Government of Wyandotte County/Kansas City, KS established the Prairie Delaware Redevelopment District. The District was created for development of a major tourism area, including the Kansas International Speedway. In connection with various projects in the District, the Unified Government has issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the Unified Government and the State of Kansas have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the Unified Government and the State of Kansas, based on each entity's respective share of sales taxes generated within the District. The State of Kansas' proportional share is approximately 72%. Therefore, 72% of the outstanding obligation on each STAR bond issue has been recorded with the State of Kansas' long-term debt. This proportional share may change in the future if the sales taxes assessed by the local or state governments are modified.

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III. Detailed Notes on All Funds

Special Obligation and Private Activity Bonds

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special, limited obligations of KDFA, neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by KDFA or the State. Accordingly, such special obligation bonds are not included in KDFA's June 30, 2003 balance sheet. KDFA's special obligation bonds at June 30, 2003 total \$908,915,816.

Private activity bonds are special limited obligations of KDFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on KDFA's June 30, 2003 balance sheet. KDFA's private activity bonds at June 30, 2003 total \$728,948,533.

Notes Payable

PMIB is authorized as directed by statute to loan funds from the State treasury to state agencies for various capital projects including the purchase of the State's printing plant and the renovation and purchase of the Landon state office building. These internal loans are recorded as loans receivable in the State treasury's cash balance in Note III, Section A, Deposits and Investments, and in corresponding amounts of notes payable in Note III, Section J, Long-term Obligations - Primary Government, Governmental Funds and Section I, Short-term Obligations.

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 22 years for water supply storage capacity in large Federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as "future use" storage, and as such; the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2003 for portions of the storage designated as "future use" storage.

Lease Commitments

The State leases office buildings, space, and equipment. Although the lease terms vary under a variety of agreements, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered non-cancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2003 are as follows (expressed in thousands):

<u>Fiscal Year</u>	
2004	\$ 8,010
2005	7,385
2006	5,865
2007	5,247
2008	3,826
2009-2013	10,592
2014-2018	164
Total future minimum lease payments	<u>\$ 41,089</u>
Rent expenditures/expenses for operating leases for the year ended June 30, 2003	<u>\$ 8,753</u>

State of Kansas
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III. Detailed Notes on All Funds

Capital Leases

The State has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases and are reported as capital lease obligations. At the date of acquisition, the assets are valued on the statement of net assets at the present value of the future minimum lease payments. Interest expense for capital leases is not capitalized.

The following schedule presents future minimum lease payments as of June 30, 2003 (expressed in thousands):

Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$ 9,002	\$ 6,981
2005	8,081	6,600
2006	7,386	6,240
2007	8,569	6,389
2008	6,707	5,571
2009-2013	31,285	24,090
2014-2018	27,791	18,848
2019-2023	20,681	11,027
2024-2028	19,031	6,166
2029-2033	14,006	1,072
Total	<u>\$ 152,539</u>	<u>\$ 92,984</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2003, include the following (expressed in thousands):

	Governmental Activities
Land (non-depreciable)	\$ 9,927
Buildings	89,337
Equipment	66,385
Less: Accumulated depreciation	(13,954)
Total	<u>\$ 151,695</u>

Master Lease Purchase Program

The Master Lease Purchase Program, administered by the Department of Administration, provides low interest, equipment lease purchase financing and energy conservation project financing to State agencies. The Program began in 1985 with the issuance of Certificates of Participation and evolved into the current Program, which utilizes lines of credit. Lease purchase obligations under the Program are not general obligations of the State, but are payable from appropriations of State agencies participating in the Program, subject to annual appropriation. Financing terms of two years through fifteen years are available. The financing term should not exceed the useful life of the purchased item. The interest component of each lease/purchase payment is subject to a separate determination.

State of Kansas
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III. Detailed Notes on All Funds

Defeasance of Debt

Primary Government

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2003 and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/02 Beginning Balance	Current Year Defeased	Payments	6/30/03 Ending Balance
Governmental Activities				
KDFA Series 1995 F	\$ 0	\$ 11,980	\$ 11,980	\$ 0
KDOT Series 1972 B	2,725	0	2,725	0
KDOT Series 1973 A	4,975	0	2,375	2,600
KDOT Series 1992 A	0	6,990	6,990	0
KDOT Series 1992 A	73,850	0	73,850	0
KDOT Series 1993	0	172,020	172,020	0
KDOT Series 1993 A	0	86,875	86,875	0
KDOT Series 1994	0	32,865	0	32,865
KDOT Series 1994 A	0	2,575	2,575	0
KDOT Series 1994 A	29,640	0	29,640	0
KDOT Series 1999	0	269,940	0	269,940
Total governmental activities	<u>\$ 111,190</u>	<u>\$ 583,245</u>	<u>\$ 389,030</u>	<u>\$ 305,405</u>
Business-type Activities				
FHSU Series 1962	\$ 56	\$ 0	\$ 56	\$ 0
FHSU Series 1963	28	0	28	0
FHSU Series 1968	120	0	20	100
KDFA Series 1993 SRF-I	6,345	0	0	6,345
KDFA Series 1993 SRF-II	0	10,715	0	10,715
KDFA Series 1995 I	4,745	0	4,745	0
KDFA Series 1997 II	26,515	0	0	26,515
KDFA Series 2000 II (Nov.)	54,945	0	0	54,945
KSU Series 1962 (JTIII)	36	0	0	36
KSU Series 1964	330	0	0	330
KSU Series 1965	245	0	0	245
KSU Series 1966	464	0	0	464
KU Series 1964	270	0	130	140
KUMC Series 1978	350	0	0	350
WPC Series 1964	23,510	0	0	23,510
Total business-type activities	<u>\$ 117,959</u>	<u>\$ 10,715</u>	<u>\$ 4,979</u>	<u>\$ 123,695</u>

State of Kansas
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III. Detailed Notes on All Funds

Information for bonds defeased in the current fiscal year is as follows (expressed in thousands):

Bond Issue	Amount Defeased	Remaining Liability	Economic Gain (Loss)*	Aggregate Debt Service Reduction**
Governmental Activities				
KDFA Series 1995 F	\$ 11,980	\$ 0	\$ 921	\$ 1,331
KDOT Series 1992 A, 1993, 1994 & 1994A	205,320	23,735	21,800	41,723
KDOT Series 1993 A	86,875	0	6,439	11,267
KDOT Series 1994 & 1999	279,070	279,070	29,984	38,806
Total defeased	<u>\$ 583,245</u>	<u>\$ 302,805</u>	<u>\$ 59,144</u>	<u>\$ 93,127</u>
Business-type Activities				
KDFA Series 1993 SRF-II	\$ 10,715	\$ 10,715	\$ 379	\$ 411
KDFA Series 1993 C	580	0	157	(766)
KDFA Series 1994 D	1,220	0	62	(564)
KDFA Series 1994 E	1,325	0	97	(6,495)
Total defeased	<u>\$ 13,840</u>	<u>\$ 10,715</u>	<u>\$ 695</u>	<u>\$ (7,414)</u>

Component Unit

For financial reporting purposes, the Kansas Development Finance Authority has in substance defeased certain lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2003 and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/02 Beginning Balance	Current Year Defeased	Payments	6/30/03 Ending Balance
KDFA Series 1992 H	\$ 5,325	\$ 0	\$ 5,325	\$ 0
KDFA Series 1999 N	0	19,240	0	19,240
Total component units	<u>\$ 5,325</u>	<u>\$ 19,240</u>	<u>\$ 5,325</u>	<u>\$ 19,240</u>

Information for bonds defeased in the current fiscal year is as follows (expressed in thousands):

Bond Issue	Amount Defeased	Remaining Liability	Economic Gain (Loss)*	Aggregate Debt Service Reduction**
KDFA Series 1999 N	<u>\$ 19,240</u>	<u>\$ 19,240</u>	<u>\$ 3,033</u>	<u>\$ 4,608</u>

Arbitrage Rebate Payable

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$677,000 for Governmental Activities and \$4,538,000 for Business-type Activities.

*The economic gain is defined as the difference between the present values of the old and new debt service payments.

**The aggregate debt service reduction is defined as the difference between the refunded debt and the refunding debt.

III. Detailed Notes on All Funds

Derivative Instruments

Interest rate swap

KDFA Series 2002 J-2

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in August 2002, the Kansas Development Finance Authority entered into an interest rate swap in connection with its 2002 J-2 lease revenue bonds. The intention of the swap was to effectively change the variable interest rate of the bonds to a synthetic fixed rate of 3.39 percent.

Terms. The lease revenue bonds mature in December 2034 and the related swap agreement matures in December 2009. The swap's notional amount of \$22.58 million is equal to the par amount of the variable rate bonds. The swap agreement was executed at the same time the bonds were issued. Under the terms of the swap agreement, the KDFA pays the counterparty a fixed rate of 3.39 percent and receives a variable payment computed on the Bond Market Association Municipal Swap Index™ (BMA).

Fair Value. Because interest rates declined subsequent to the date of execution, the swap had a negative mid-market value of \$657,300 as of June 30, 2003.

KDOT Series 2002 B & C

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in October 2002, the Department of Transportation entered into an interest rate swap in connection with its 2002 B and C series refunding bonds. The intention of the swap was to effectively change the variable interest rate of the bonds to a synthetic fixed rate of 3.164 percent.

Terms. The refunding bonds and the related swap agreement mature in September 2019, and the swap's notional amount of \$320.005 million is equal to the par amount of the variable rate bonds. The swap agreement was executed at the same time the bonds were issued. In fiscal year 2012, the notional amount of the swap and the principal amount of the associated debt begin to amortize. Under the terms of the swap agreement, the State pays the counterparty a fixed rate of 3.164 percent and receives a floating rate of 67 percent of the London Interbank Offered Rate (LIBOR), which is a proxy for the variable rate on the refunding bonds.

Fair value. Because interest rates declined subsequent to the date of execution, the swap had a negative value of \$11,136 as of June 30, 2003. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. The swap counterparty for the Series B Bonds was rated A+ by Standard & Poor's and Aa3 by Moody's Investors Service as of June 30, 2003. The swap counterparty for the Series C Bonds was rated AAA by Standard & Poor's and Aa1 by Moody's Investors Service. Each swap counterparty is required to post collateral to a third party when their credit rating, as determined by the specified nationally recognized credit rating agencies, falls below a trigger level as defined in the swap agreements. This protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps is to be in the form of cash or U.S. government securities held by a third-party custodian.

Basis risk. The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. The effect of this difference in basis is indicated by the difference between the contractual synthetic rate of 3.164 percent and the all-inclusive synthetic rate as of June 30, 2003 (3.256 percent). As

III. Detailed Notes on All Funds

of June 30, 2003, the actual bond rate was 0.840 percent, whereas 67 percent of LIBOR was 0.750. As LIBOR rates approach the synthetic rate, the effect of the swap will be minimized.

Tax risk. The swap exposes the State to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of this swap transaction.

Termination risk. The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contract particularly if an Additional Termination Event (ATE) as defined in the swap documents were to occur. An ATE occurs if either the credit rating of the bonds associated with a specific swap, or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap is terminated, the variable rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment to the swap's fair value.

Swaption

KDOT Series 2002 D

Objective of the swaption. The State entered into a swaption contract that provided the State an up-front payment of \$1.738 million and additional premium payments in fiscal years 2006 and 2007 of \$11.905 million collectively. As a synthetic refunding of its Series 1993 A Bonds, these payments represent the risk-adjusted, present-value savings of a refunding as of December 2002. The State sold the counterparty the right to enter into a floating-to-fixed swap. If the counterparty exercises its option the State would pay a fixed rate and receive a floating rate. The State would then issue variable-rate bonds against the swap.

Terms. The swaption was entered into in August 2002. The payments totaling \$13.643 million were based on a notional amount of \$86.875 million. The counterparty had the option to exercise the agreement in December 2002. The fixed swap rate (5.24 percent) was set at a rate that, when added to an assumption for remarketing and liquidity costs, would approximate the coupons of the "refunded" bonds. The swap's variable payment would be 67 percent of LIBOR. The swap was exercised. Additional information is provided on the remaining pay-fixed, receive-variable interest rate swap.

Terms of the pay-fixed, receive-variable interest rate swap. The refunding bonds and the related swap agreement mature in September 2012, and the swap's notional amount of \$86.875 million is less than the \$88.110 million variable rate bonds. The swap was entered at the same time the bonds were issued. In fiscal year 2012, the notional amount of the swap and the principal amount of the associated debt commences to amortize. Under the swap, the State pays the counterparty a fixed payment of 5.24 percent and receives a variable payment of 67 percent of the LIBOR, which is a proxy for the variable rate on the State's refunding bonds.

Fair value. Because interest rates have declined subsequent to the date of execution, the swap had a negative value of \$5,759 as of June 30, 2003. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. The swap counterparty was rated A+ by Standard and Poor's and Aa3 by Moody's Investors Service as of June 30, 2003. The swap counterparty is required to post collateral to a third party when their credit rating, as determined by the specified nationally recognized credit rating agencies, falls below a trigger level as defined in the swap agreements. This protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps is to be in the form of cash or U.S. government securities held by a third-party custodian.

III. Detailed Notes on All Funds

Basis risk. The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (5.24 percent) and the synthetic rate as of June 30, 2003 (5.4196 percent). As of June 30, 2003, the actual bond rate was 0.93 percent, whereas 67 percent of LIBOR was 0.7504 percent. As LIBOR rates approach the synthetic rate, the effect of the swap will be minimized.

Tax risk. The swap exposes the State to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of this swap transaction.

Termination risk. The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contract particularly if an Additional Termination Event (ATE) as defined in the swap documents were to occur. An ATE occurs if either the credit rating of the bonds associated with a specific swap, or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap is terminated, the variable rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment to the swap's fair value.

K. Extraordinary Items

The State received approximately \$45.7 million in June 2003, from the Federal Government as the result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The State will use this money to provide essential government services and cover the costs of the State of complying with any Federal intergovernmental mandate to the extent that the mandate applies to the State, and the Federal Government has not provided funds to cover the costs. Furthermore, this money will only be used for the types of expenditures permitted under the most recently approved budget for the State.

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III. Detailed Notes on All Funds

L. Revisions to Beginning Net Assets

Various changes were made to the beginning fund balances to include universities data that was omitted the prior year and to make corrections for errors in the prior year financial statements. The following table summarizes the changes to the fund balances as reported in the prior year financial statements (expressed in thousands):

	State General Fund	Other Governmental Funds	Total Governmental Funds	Enterprise	Internal Service	Fiduciary	Component Unit
June 30, 2002 fund balance as previously reported	\$ 83,432	\$ 1,213,865	\$ 1,297,297	\$ 1,634,830	\$ 27,812	\$ 8,895,582	\$ 17,317
Prior period adjustments:							
Accruals:							
Due to other funds/advances from other funds	(5,720)	67,867	62,147	(49,472)	(12,225)	0	0
Inclusion of additional universities data	0	0	0	84,862	0	0	0
Correction for water funds accruals for prior year	0	0	0	(4,548)	0	0	0
Capital assets	0	0	0	1,060	0	0	(1,009)
STARS Bonds	0	1,013	1,013	0	0	0	0
Increase (decrease) for restatement	(5,720)	68,880	63,160	31,902	(12,225)	0	(1,009)
June 30, 2002 fund balance as restated	<u>\$ 77,712</u>	<u>\$ 1,282,745</u>	<u>\$ 1,360,457</u>	<u>\$ 1,666,732</u>	<u>\$ 15,587</u>	<u>\$ 8,895,582</u>	<u>\$ 16,308</u>
Effect on revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ (5,720)</u>	<u>\$ 67,867</u>	<u>\$ 62,147</u>	<u>\$ (112,311)</u>	<u>\$ (12,225)</u>	<u>\$ 0</u>	<u>\$ (1,009)</u>

In addition to the fund revision, STAR Bonds in the amount of \$1032.7 million were recorded as a liability at the beginning of the year resulting in a net negative of \$41.5 million reduction in beginning entity-wide equity of the governmental activities.

IV. Other Information

A. Risk Management

The State maintains a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through risk management and various outside entity commercial insurance providers. It is the policy of the State to cover the risk of certain losses to which it may be exposed through risk management activities. In general, the State is self-insured for certain health care claims (prescription drug and dental plus three of eight medical health plan options), State employee workers' compensation, long-term disability, tort liability, personal property, and real estate property losses up to \$500,000 (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles, and a statewide commercial policy on real property valued at \$500,000 or more (except where separate coverage is required by bond covenant). Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

Coverage for health care claims for prescription drugs and dental claims plus three of eight medical health plan options is provided by The Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund for all active employees, and The Post Employment Health and Dental Care Claims Health and Hospitalization Fund for post-employment populations (retirees). Risk is managed by the performance of full experience studies twice a year. The liability for unpaid claims is the plan reimbursement for services rendered or prescriptions received where the payment to the provider, the member, or the claims administrator has not occurred. These liabilities are estimated by analyzing the prior payment patterns for the same coverage or medical option.

The State Self-insurance Fund (SSIF) is self-insured and self-administered for providing workers' compensation coverage to the State's employees. The agencies make contributions to the SSIF to cover projected losses and net expenses. The SSIF also maintains a partial reserve to reduce the likelihood of additional required contributions due to adverse loss experience. The liability represents results from an annual actuarial study for claims reported but unpaid plus an estimate for claims incurred but not reported.

The remaining risk management activities of the State are included in the State General Fund. The State has not encountered difficulty in resolving past losses by using resources available at the time the loss occurred.

The Tort Claims Fund (TCF) provides payment of compromises, settlements, and final judgements arising from claims against the State or an employee of the State under the *Kansas Tort Claims Act*, and costs of defending the State or an employee. When the balance in the TCF is insufficient to pay a claim, a transfer is made from the State General Fund to the TCF. The maximum claim liability allowed under *The Kansas Tort Claims Act* is \$500,000 per occurrence or accident. At June 30, 2003 there were no material claims incurred but unpaid.

The State's self-insurance program covers all personal property losses and real estate property losses up to \$500,000 (except where separate coverage is required by bond covenant). Claims in excess of \$500,000 are covered by commercial insurance under a statewide policy. The statewide policy has a limit of \$100,000,000 per occurrence except flood and earthquake, which are applied as annual aggregates separately to each peril, and a deductible of \$5,000,000 per occurrence for most buildings. The self-insurance program for personal and real estate property loss represents an estimate of amounts to be paid from currently expendable available financial resources. At June 30, 2003 there were no material claims incurred but unpaid.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider

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IV. Other Information

the effects of inflation, recent claim settlement trends (including frequency and amount of payments), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2003 (expressed in thousands):

	Claims Liability Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Claims Liability Ending Balance	Non-current Liability	Current Liability
<i>Current fiscal year</i>						
State Selfinsurance Fund	\$ 21,564	\$ 14,679	\$ (13,925)	\$ 22,318	\$ 18,254	\$ 4,064
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	12,991	142,801	(141,773)	14,019	140	13,879
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	5,755	142,497	(141,773)	6,479	65	6,414
Total	<u>\$ 40,310</u>	<u>\$ 299,977</u>	<u>\$ (297,471)</u>	<u>\$ 42,816</u>	<u>\$ 18,459</u>	<u>\$ 24,357</u>
<i>Prior fiscal year</i>						
State Selfinsurance Fund	\$ 21,509	\$ 13,798	\$ (13,743)	\$ 21,564	\$ 17,371	\$ 4,193
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	14,741	154,295	(156,045)	12,991	130	12,861
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	4,133	157,667	(156,045)	5,755	58	5,697
Total	<u>\$ 40,383</u>	<u>\$ 325,760</u>	<u>\$ (325,833)</u>	<u>\$ 40,310</u>	<u>\$ 17,559</u>	<u>\$ 22,751</u>

* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the active employee participant component.

** Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the post-employment participant component.

IV. Other Information

B. Contingencies and Commitments

Litigation

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of State and Federal laws. Known claims, asserted and unasserted, have been evaluated for the likelihood of an unfavorable outcome and estimates have been made regarding the amount or range of potential loss in the event of an unfavorable outcome. After review, it is the State's opinion that its ultimate liability in these cases, if any, is not expected to have a material adverse affect on the financial position of the State, except for potential litigation involving the Kansas Department on Aging (KDOA) and the Kansas Department of Social and Rehabilitation Services (SRS) versus the Centers for Medicare and Medicaid Services (CMS) concerning the Kansas Intergovernmental Transfer (IGT) Program. CMS is challenging certain IGT claims. CMS deferred \$13.7 million in payments for one quarter, but the State is not at risk for any IGT refunds to the Federal government. Counsel is optimistic that the State will ultimately be successful in any action against CMS involving this matter.

As a result of an Office of Inspector General (OIG) audit finding, the Disability Determination Services disallowed Kansas Department of Social and Rehabilitation Services (SRS) \$4.9 million of indirect costs for fiscal years 1998 through fiscal year 2002 which were allocated through the SRS approved cost allocation plan. The SRS is currently appealing this finding.

The Kansas Department of Revenue has potential liabilities of \$50.6 million for corporate tax refunds.

Federal Financial Assistance

The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. Grants are subject to the Federal Single Audit Act or to financial and compliance audits by grantor agencies. Disallowances by Federal officials as a result of these audits may become liabilities of the State. There are no material federal grant reimbursements due to a federal agency.

C. Post-Employment Benefits

Primary Government

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provides post-employment health care benefits to retirees who elect the Kansas Choice medical option. Retirees electing this option pay less than one hundred percent of the projected costs. The monthly amount of reduced cost (subsidy) ranges from zero dollars to \$98.18 for early retirees, and zero dollars to \$115.13 for Medicare eligible retirees. Early retirees are defined as those retirees not yet Medicare eligible. The participant is required to pay the medical and prescription costs less the subsidy. The employer contribution is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

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IV. Other Information

	Estimated Current Year Expenditures <u>(Subsidies)</u>	Eligible <u>Participants</u>	Enabling <u>Legislation</u>
Kansas Choice Post-Employment Benefits	\$ 964,694	6,608	K.S.A. 75-6504

The State funds post-employment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

D. Employee Retirement Systems and Pension Plans

Kansas Public Employees Retirement System - Plan Descriptions

The Kansas Public Employees Retirement System (the System) is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74 Article 49: Kansas Public Employees Retirement System (KPERS), Kansas Police and Firemen's Retirement System (KP&F) and Kansas Retirement System for Judges (Judges). All three systems are part of a tax-exempt, defined benefit, contributory plan covering substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer groups. Participation by the State is mandatory, whereas participation by local political subdivisions is an option, but irrevocable once elected. The State Elected Officials Special Members Retirement System is also administered by the System. This system is closed to new members and only a small group is participating.

The System publishes its own financial report, which is available upon request from KPERS.

The System provides retirement, death and disability benefits to State employees, public school employees and employees of counties, municipalities, and certain other State political subdivisions. Although public schools are outside the State reporting entity, the State provides the required employers' contribution for public school employees' retirement benefits.

The System's total covered salaries and wages paid were approximately \$5,163.7 million. The State's total salaries and wages paid were approximately \$1,584.2 million of which approximately \$908.0 million or approximately 57.3 percent relates to employees participating in the System. The remaining approximately 42.7 percent represents salaries and wages paid to employees, such as educational institution employees not participating in the System, employees who have not met the required tenure of employment for participation or those employees who are classified as other than "permanent" and are not eligible for participation. Information on participating employees and retirement system membership at June 30, 2003 follows:

<u>Participating Employers</u>	<u>Membership</u>
KPERS	1371
KP&F	70
Judges	1
Total	<u><u>1442</u></u>

MEMBERSHIP BY RETIREMENT SYSTEM
(as of June 30, 2003)

	<u>KPERS</u>	<u>KP&F</u>	<u>Judges</u>	<u>Total</u>
Retired	54,105	3,338	154	57,597
Active/Inactive	179,926	7,509	263	187,698
Total	<u><u>234,031</u></u>	<u><u>10,847</u></u>	<u><u>417</u></u>	<u><u>245,295</u></u>

IV. Other Information

Kansas Public Employees Retirement System - Plan Benefits

Members (except KP&F members) with 10 or more years of credited service may retire as early as age 55 (KP&F members may be age 50 with 20 years of credited service) with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with 10 years of service credit, or when the member's combined age and years of credited service equal 85. KP&F members may elect for normal retirement at age 50 with 25 years of service, at age 55 with 20 years of service or at age 60 with 15 years of service. Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. Upon termination of employment, members may elect to withdraw the accumulated contributions from their individual account, including the interest credited to the member's account. Members who withdraw their accumulated contributions forfeit all rights and privileges accrued during membership. Members choose one of seven options to receive monthly retirement benefits. Benefit increases, including ad hoc post-retirement benefit increases, must be approved and passed into law by the Kansas legislature. Benefit increases are under the authority of the legislature and the governor of the State of Kansas.

All active members (except KP&F members) are covered by the group life insurance contract. The life insurance benefit is 150.0 percent of the annual rate of compensation at the time of death. Generally, for KPERS in cases of death as the result of an on-the-job accident, there is a \$50,000 lump sum benefit and a monthly benefit payable to a surviving spouse, minor children, or dependent parents (in this order of preference). Statutory service-connected accidental death benefits are in addition to any life insurance benefit payable to the designated beneficiary(ies). There is a \$4,000 death benefit payable to the designated beneficiary(ies) upon the death of a retirant under any system.

Active members (except KP&F and Judges members) are also covered by the provisions of the disability income benefit contract. Annual disability income benefits are based upon two-thirds of the annual rate of compensation at the time of disability, less primary social security benefits, one-half of workers' compensation, and any other employment-related disability benefit, with a minimum monthly benefit of \$100. There is a waiting period of 180 continuous days from the date of disability before benefits can be paid. During the period of approved disability, the member continues to have group life insurance coverage and to accrue participating service credit.

Kansas Public Employees Retirement System - Funding Status and Progress

The law governing the Retirement System requires the actuary to make an annual valuation of the System's liabilities and reserves and determine the contribution required to discharge the System's liabilities. The actuary then recommends to the System's Board of Trustees the employer contribution rates required to maintain the Retirement System on the actuarial reserve basis. Every three years, the actuary makes a general investigation of the actuarial experience under the System including mortality, retirement, and employment turnover. The actuary recommends actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation. An actuarial experience study was conducted for the three years ending December 31, 2000. As a result of this study, the Board of Trustees adopted new assumptions in regard to retirement rates, mortality and withdrawal rates.

In fiscal year 1993, the Kansas legislature passed legislation that amended the Retirement System's statutory funding method. It was changed from the frozen initial liability method to the projected unit credit actuarial cost method. The law also provided that this method be used to determine KPERS employer contribution rates beginning with the 1993 actuarial valuation, except for Board of Regents plan members (TIAA and equivalents). Under the new method, the unfunded actuarial accrued liability is recalculated each year (rather than being essentially fixed in dollar amounts as under the previous method). Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in KPERS' accrued actuarial liabilities, and affect the amount of annual amortization payments required to amortize the unfunded accrued liability over the statutory 40-year period from July 1, 1993. The funding

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methods used by the Retirement System's actuary for the KP&F and the Judges systems were not changed. They were the aggregate cost method with supplemental liability and the frozen initial liability method, respectively.

In fiscal year 2003, the Kansas Legislature passed additional legislation impacting the funding of the Retirement System. Members of the TIAA group (who previously had a separate valuation and contribution rate) were made special members of KPERS. Most of the members were transferred to the State/School group but those employed by the KU Hospital Authority were transferred to the Local group. The legislation effecting this change also provided that bonds will be issued, in addition to a \$2 million cash payment, to fully fund the existing unfunded actuarial liability for this group as of December 31, 2002.

Also, 2003 legislation made permanent the retirement dividend for members who retired prior to July 2, 1987. Previously, a dividend payment was contingent upon a formula using prior year's investment results. Legislation also provided for bonds to be issued to finance this benefit enhancement for the eligible State retirees. The debt service payments on the bond issue will be paid from an increase in the State's employer contribution rate beginning in fiscal year 2005. The resulting increase in the unfunded actuarial liability for Local employers is to be paid off over a 10-year period beginning in 2005 by an increase in the employer contribution.

The actuary has estimated the change in the unfunded actuarial liability between December 31, 2001, and December 31, 2002, can be attributed to the following (in millions):

Unfunded actuarial liability, December 31, 2001	\$1,780
Effect of contribution cap/time lag	143
Expected increase due to amortization method	21
Loss from investment return	644
Liability experience	68
Change in benefit provisions (13 th check)	37
13 th check bond proceeds	(25)
TIAA bond proceeds	(16)
Re-establishment of UAL (KP&F/Judges)	177
Unfunded actuarial liability, December 31, 2002	<u><u>\$2,829</u></u>

Kansas Public Employees Retirement System - Contributions

Member contributions (from 4.0 percent to 7.0 percent of gross compensation), employer contributions and net investment income fund the reserves of the System. Member contribution rates for covered payroll are established by State law and are paid by the employer in accordance with provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of annual actuarial valuations, as the System is funded on an actuarial reserve basis. Contribution rates for KP&F, TIAA and Judges are set at the actuarial rate; however, State of Kansas legislation has placed statutory limitations on annual increases in the contribution rates for KPERS employers. For fiscal years beginning in 1995, Kansas legislation placed statutory limitations on annual increases in the contribution rates for KPERS employers of 0.1 percent of payroll over the prior year.

During the 1995 legislative session, the statutory limits were increased to 0.2 percent of payroll over the prior year for fiscal years beginning in 1996 for State and school employers. The statutory increase for local units of government was amended to limit increases to no more than 0.15 percent over the prior year for calendar years beginning in 1997. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. Legislation passed in 2003 amended the annual increases in future years. The statutory cap for the

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State/School group will increase to 0.40 percent in fiscal year 2006, with subsequent increases of 0.50 percent in fiscal year 2007 and 0.60 percent in fiscal year 2008 and beyond.

The amortization period for the unfunded liability of all three systems is 40 years from July 1, 1993. Employer contributions for group life insurance and long-term disability income benefits are set by statute at 0.6 percent of covered payroll for KPERS and 0.4 percent for Judges.

However, legislation passed in 2000 and 2001 placed a moratorium on contributions related to the group life insurance and disability benefits effective for the period April 1, 2000 through December 31, 2001. Calendar year 2002 and 2003 legislation placed additional moratoriums on contributions to this fund. Moratoriums were in effect for the period July 1, 2002 through December 31, 2002 and the period of April 1, 2003 through June 30, 2003. In addition, 2003 legislation extends the moratorium through June 30, 2004.

Kansas Public Employees Retirement System - Contributions Required and Contributions Made

The actuarially determined contribution rates are computed as a level percentage of salary by the Retirement System's actuary. The results of June 30, 1999, and June 30, 2000, actuarial valuations provide the basis for Board certification of employer contribution rates for fiscal years ending June 30, 2002, and June 30, 2003, respectively. The actuarially determined employer contribution rates derived from the actuarial valuations for fiscal years beginning 2002 and 2003 are as follows:

Fiscal Year	State/School		Corrections		TIAA	
	Actuarial Rate	Statutory Rate	Actuarial Rate	Statutory Rate	Actuarial Rate	Statutory Rate
2002	5.40%	4.18%	6.67/6.84%	4.99/5.57%	1.43%	1.43%
2003	5.57%	4.38%	7.28/7.92%	6.09/6.73%	1.67%	1.67%

The results of June 30, 2000, and December 31, 2000, actuarial valuations provide the basis for Board certification of local employer contribution rates for fiscal years beginning in 2002 and 2003, respectively. The actuarial determined employer contribution rates and statutory contribution rates for fiscal years 2002 and 2003 are as follows:

Fiscal Year	Local	
	Actuarial Rate	Statutory Rate
2002	3.47%	2.92%
2003	4.13%	3.07%

KP&F. The uniform participating service rate for all KP&F employers was 6.79 percent for the fiscal year beginning in 2002 and 6.86 percent for the fiscal year beginning in 2003. KP&F employers also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer.

Judges. The total actuarially determined employer contribution rate was 12.48 percent of payroll for the fiscal year ended 2002 and 12.26 percent of payroll for the fiscal year ended 2003.

The law specifies employee contributions as: Each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct from the compensation of each member 4.0 percent for KPERS members, 7.0 percent for KP&F members and 6.0 percent for Judges members of such member's compensation as employee contributions.

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All contributions required by law to be made have been made as follows (expressed in thousands):

	Employer and Insurance Contributions	Employee Contributions ⁽¹⁾	Contributions as a Percent of Covered Payroll
KPERS - State/school, TIAA	\$ 162,215	\$ 143,754	8.2%
KPERS - Local	36,336	49,121	7.6%
KP&F	30,317	22,458	20.0%
Judges	2,595	1,110	18.2%
Total	\$ 231,463	\$ 216,443	8.7%

⁽¹⁾ Member contributions do not include optional life insurance contributions of approximately \$8.3 million.

An estimated \$381 million of employer and employee contributions were made to cover normal cost, an estimated \$50 million was made for the amortization of the unfunded actuarial accrued liability, and \$8.6 million for insurance contributions.

Three-year historical data is presented below to provide information about the progress the System is making in accumulating sufficient assets to pay benefits and employer contributions expressed as a percentage of covered wages (expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll	Employer Contributions as a Percentage of Covered Payroll
12/31/00 ⁽¹⁾	\$9,835,182	\$11,140,014	88%	\$1,304,832	\$4,876,555	27%	4.0%
12/31/01	9,962,918	11,743,052	85%	1,780,134	5,116,384	35%	4.3%
12/31/02 ⁽²⁾	9,784,862	12,613,599	78%	2,828,736	4,865,903	58%	4.8%

(1) The asset valuation date was changed to a calendar year basis

(2) Beginning with the December 31, 2002 actuarial valuation, the unfunded actuarial liability of the TIAA group was eliminated. Therefore, covered payroll no longer includes the salaries of non-KPERS unclassified employees of the Board of Regents institutions previously included.

Other Retirement Plans

Faculty and other eligible unclassified employees of the Board of Regents (Regents) or educational institutions under its control must participate in the Regents' retirement plan. Authorized by statute, this defined contribution plan is funded through contributions by the employees and the Regents for the purchase of retirement annuities. Employees must participate in the plan after one year of service or at date of employment if they contributed to a similar plan for at least one year. The contributions are fully vested with the first contribution.

IV. Other Information

Employees participating in the Regents' mandatory retirement plan are required to contribute 5.5 percent of their salary toward the purchase of their retirement annuity. During fiscal year 2003, employees contributed approximately \$27.0 million. During fiscal year 2003, the 8.5 percent employer contribution totaled \$41.7 million, representing covered wages of approximately \$490.6 million. These employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the voluntary tax-sheltered annuity program, which allows the member to purchase a tax-sheltered annuity contract as a supplement to the basic retirement program. Certain employees are covered by a retirement annuity plan, which is closed to new members.

On July 1, 1971, the control of the School for the Blind and the School for the Deaf was transferred from the Regents to the State Board of Education. Employees covered by the Regents' retirement at the time of the transfer could continue to purchase a retirement annuity or convert to KPERS. Employees who elected the annuity plan contribute 5.0 percent of their salary toward an annuity purchase. This is matched by a 5.0 percent employer contribution. During fiscal year 2003, \$6,177 was contributed by employers for employees' annuities representing covered wages of approximately \$123,533.

E. Subsequent Events

Reorganization of the Department of Commerce and Housing

Executive Reorganization Order No. 30 transferred the Housing division of the Kansas Department of Commerce and Housing to the Kansas Development Finance Authority, effective July 1, 2003, to be organized and administered by the Authority in accordance with the KDFA Act, K.S.A. 74-8901 et seq., as amended and supplements. The KDFA Board of Directors made the determination that Housing should be organized as a subsidiary corporation of KDFA, and Articles of Incorporation for the Kansas Housing Resource Corporation were filed with the Secretary of State on June 30, 2003.

Bonds and Notes

Short-term Debt

Certificate of Indebtedness – In July 2003, the Pooled Money Investment Board (PMIB) issued a \$450 million Certificate of Indebtedness per K.S.A. 75-3725a, subject to redemption not later than June 30, 2004. See Section III-I, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

Accrued Receivables for Ad Valorem Taxes – In July 2003, receivables were posted to the State Treasurer's receivables in the amount of \$21.5 million for the Kansas Educational Building Fund and \$10.8 million for the State Institutions Building Fund per K.S.A. 76-6b11. See Section III-I, Short-term Obligations, for additional information.

Accrued Receivables for Children's Initiatives Fund – In July 2003, receivables were posted to the State Treasurer's receivables for the Children's Initiatives Fund in the amount of \$23.4 million per Senate Bill No. 6, Section 40 (i) Session 2003. See Section III-I, Short-term Obligations, for additional information.

Accrued Receivables for State Economic Development Initiatives Fund – In July 2003, receivables were posted to the State Treasurer's receivables for the State Economic Development Initiatives Fund in the amount of \$21.2 million per Senate Bill No. 6, Section 40 (j) Session 2003. All moneys transferred and credited to this fund during the fiscal year reduces the receivables.

IV. Other Information

Long-term Debt

Revenue Bonds – In September 2003, the Kansas Development Finance Authority (KDFA) issued \$40,250,000 of Series 2003 H State pension funding bonds. Of the total amount of the bond issue, \$15,350,000 of the bond proceeds will be used for the purpose of financing the unfunded actuarial pension liability of the Kansas Public Employees Retirement System (KPERS) related to persons designated as Special Members of KPERS pursuant to K.S.A. 74-4925, as amended. The remaining bond proceeds of \$24,900,000 will be used for the purpose of financing the unfunded actuarial pension liability of KPERS related to persons entitled to benefits pursuant to the provisions of K.S.A. 74-49,109, as amended, (also referred to as the “Thirteenth Check Deposit”). Interest rates range from 1.4 to 5.2 percent, payable March 1 and September 1, beginning March 1, 2004. The bonds mature on September 1, of the years 2004 through 2013.

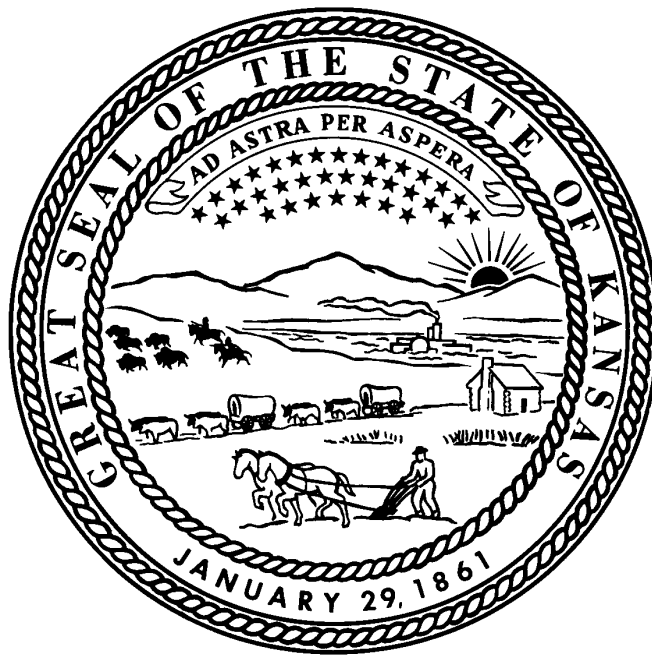
Revenue Bonds – In August 2003, the KDFA issued Series 2003 J-1 and 2003 J-2 lease revenue bonds. Series 2003 J-1 lease revenue bonds of \$34,100,000 were issued for energy improvement projects for the University of Kansas Medical Center and Kansas State University. Interest rates range from 2.0 to 5.3 percent, payable annually on August 1, beginning August 1, 2004. The bonds mature on August 1, of the years 2005 through 2024. Series 2003 J-2 lease revenue bonds of \$6,135,000 were issued for renovation, reconstruction, and repair of certain Kansas Army National Guard Armories. Interest rates range from 2.0 to 4.9 percent, payable annually on August 1, beginning August 1, 2004. The bonds mature on August 1, of the years 2005 through 2018.

Subsequent to June 30, 2003, the Department of Transportation was preparing to execute three refunding transactions under a common plan of finance to create near term cash flow savings to mitigate the risk of funding shortfalls for the Comprehensive Transportation Program (CTP). The transactions involve issuing tax-exempt fixed, taxable fixed and variable rate debt that will be swapped to provide synthetic fixed rate debt. The tax-exempt component will primarily refund certain non-callable maturities of prior bond issues. The taxable component will refund certain maturities of previous refunding issues. The synthetic fixed rate component will advance refund certain callable maturities.

Property Tax Accelerator

The Governor issued a temporary property tax accelerator that is effective in fiscal year 2004. This will change the school finance formula an estimated \$163 million.

**REQUIRED
SUPPLEMENTARY
INFORMATION**



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State of Kansas
Required Supplementary Information
June 30, 2003

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Revenues and other financing sources:</i>				
Property tax	\$ 20,000	\$ 17,000	\$ 15,729	\$ (1,271)
Income and inheritance tax	2,418,000	1,967,000	1,933,347	(33,653)
State sales tax	1,515,000	1,570,000	1,567,721	(2,279)
Consumers' and retailers' compensating use tax	270,000	230,000	225,924	(4,076)
Tobacco and liquor taxes	117,700	198,800	196,515	(2,285)
Severance taxes	59,900	72,900	72,775	(125)
Insurance premium taxes	75,000	92,000	94,456	2,456
Other taxes	22,700	37,000	35,517	(1,483)
Operating grants	0	0	45,791	45,791
Investment earnings	33,500	18,000	19,177	1,177
Transfers	6,500	(22,522)	(13,035)	9,487
Charges for services, other revenues & financing sources	50,300	54,200	51,757	(2,443)
Total revenues and other financing sources	<u>4,588,600</u>	<u>4,234,378</u>	<u>4,245,674</u>	<u>11,296</u>
<i>Expenditures and other financing uses:</i>				
Current:				
General government	194,040	188,426	182,745	5,681
Human resources	840,091	809,918	807,844	2,074
Education	3,052,206	2,807,832	2,806,361	1,471
Public safety	328,050	299,615	298,373	1,242
Agriculture and natural resources	15,975	14,978	14,885	93
Health and environment	28,653	26,944	26,873	71
Demand transfers	417	417	417	0
Total expenditures and other financing uses	<u>4,459,432</u>	<u>4,148,130</u>	<u>4,137,498</u>	<u>10,632</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>129,168</u>	<u>86,248</u>	<u>108,176</u>	<u>21,928</u>
Fund balances, beginning of year	\$ 12,065	12,065	12,065	
Adjustment for released encumbrances	0	0	2,556	
Fund balances, end of year	<u>\$ 141,233</u>	<u>\$ 98,313</u>	<u>\$ 122,797</u>	

State of Kansas
Required Supplementary Information
June 30, 2003

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual – Social and Rehabilitation Services Fund
--

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Revenues and other financing sources:</i>				
Tobacco and liquor taxes	\$ 2,088	\$ 2,088	\$ 2,055	\$ (33)
Operating grants	1,867,925	1,867,925	1,625,097	(242,828)
Investment earnings	0	0	210	210
Transfers	110,362	110,362	120,504	10,142
Charges for services, other revenues and financing sources	104,616	104,616	118,220	13,604
Total revenues and other financing sources	<u>2,084,991</u>	<u>2,084,991</u>	<u>1,866,086</u>	<u>(218,905)</u>
<i>Expenditures and other financing uses:</i>				
Current:				
Human resources	1,397,334	1,405,518	1,859,597	(454,079)
Total expenditures and other financing uses	<u>1,397,334</u>	<u>1,405,518</u>	<u>1,859,597</u>	<u>(454,079)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 687,657</u>	<u>\$ 679,473</u>	<u>\$ 6,489</u>	<u>\$ (672,984)</u>

State of Kansas
Required Supplementary Information
June 30, 2003

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual Transportation Fund
--

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Revenues and other financing sources:</i>				
Motor fuel taxes	\$ 265,425	\$ 270,419	\$ 263,645	\$ (6,774)
Vehicle registrations and permits	152,277	152,712	152,787	75
Intergovernmental	328,644	328,644	407,907	79,263
Sales and use taxes	97,443	89,024	89,369	345
Investment earnings	26,835	25,433	41,955	16,522
Other	4,896	4,896	6,574	1,678
Transfers from other state funds	98,070	3,461	3,348	(113)
Total revenues and other financing sources	<u>973,590</u>	<u>874,589</u>	<u>965,585</u>	<u>90,996</u>
<i>Expenditures and other financing uses:</i>				
Current operating:				
Maintenance	279,646	279,646	258,678	20,968
Construction	58,770	58,770	54,626	4,144
Local support	17,705	17,705	17,549	156
Management	50,511	50,511	47,040	3,471
Capital improvements	806,569	806,569	637,028	169,541
Transfers to other state funds	62,398	67,672	66,651	1,021
Transfers out	181,732	181,732	128,871	52,861
Total expenditures and other financing uses	<u>1,457,331</u>	<u>1,462,605</u>	<u>1,210,443</u>	<u>252,162</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (483,741)</u>	<u>\$ (588,016)</u>	<u>\$ (244,858)</u>	<u>\$ 343,158</u>

State of Kansas
Required Supplementary Information
June 30, 2003

Support of Modified Approach for Kansas Department of Transportation Infrastructure Reporting

For the Fiscal Year Ended June 30, 2003

Information needed to support the use of the modified approach for infrastructure reporting:

Roadways

The highways in the State are made up of two systems: interstate highways and non-interstate highways. The condition of these systems is assessed annually using a pavement management system that measures the condition of the pavement surface to classify the roads into the following three performance levels:

PL-1 Roadway surface is in good condition and needs only routine or light preventative maintenance.

PL-2 Roadway surface needs at least routine maintenance.

PL-3 Roadway surface is in poor condition and needs significant work.

While the Department has goals to maintain these systems at higher levels, minimum acceptable condition levels have been defined as having at least 80 percent of the interstate miles in PL-1 and at least 75 percent of the non-interstate miles in PL-1. The following table compares the minimum acceptable condition level with the actual condition for the current and prior year.

Fiscal Year	Interstate Miles		Non-interstate Miles	
	Minimum Acceptable Condition Level*	Actual Condition Level*	Minimum Acceptable Condition Level*	Actual Condition Level*
2002	80%	97%	75%	91%
2003	80%	97%	75%	93%

*Percent of miles in PL-1

The Department's goal is to continually improve the condition of the State highway system. To achieve this goal it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. To maintain the interstate highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$110 million annually. To maintain the non-interstate highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed \$260 million. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior year (expressed in thousands).

Fiscal Year	Interstate Highways		Non-interstate Highways	
	Minimum Acceptable Condition Level	Actual Expenses	Minimum Acceptable Condition Level	Actual Expenses
2002	\$110,000	\$149,554*	\$260,000	\$289,685*
2003	\$110,000	\$126,711	\$260,000	\$311,308

*Prior year data adjusted for comparability purposes.

Bridges

The condition of the bridge system in the state is assessed annually using the Pontis Bridge Management System. This system evaluates the condition of several elements (decks, girders, floor beams, columns etc) within each bridge using a rating scale of 1 to 5. These element ratings are weighted and aggregated to establish a health index of 0 to 100 for each bridge which, in turn, are aggregated to establish a health index for the entire system.

State of Kansas
Required Supplementary Information
June 30, 2003

Support of Modified Approach for Kansas Department of Transportation Infrastructure Reporting
--

For the Fiscal Year Ended June 30, 2003

The goal of the Department is to maintain the bridge system at a higher level, but has defined an overall statewide health index of 80 as the minimum acceptable condition level. This table compares the minimum acceptable health index with the actual health index for the current and prior year.

<u>Fiscal Year</u>	<u>Minimum Acceptable Health Index</u>	<u>Actual Health Index</u>
2002	80%	91%
2003	80%	92%

The Department's goal is to continually improve the condition of the State's bridge system. To achieve this goal it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the State's bridges at or above the stated minimum acceptable health index it is estimated that annual preservation and replacement expenditures must be approximately \$75 million annually. The following table compares the estimated annual expenditures need to maintain the bridges system with the actual expenditures for the current and prior year (expressed in thousands).

<u>Fiscal Year</u>	<u>Minimum Acceptable Health Index</u>	<u>Actual Expenses</u>
2002	\$75,000	\$112,012*
2003	\$75,000	\$ 87,015

*Prior year data adjusted for comparability purposes

State of Kansas
Required Supplementary Information
June 30, 2003

Notes to Required Supplementary Information - Budgetary Information
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For the Fiscal Year Ended June 30, 2003

Budgetary information

Annual budgets are adopted on a cash basis with encumbrance modifications for all governmental funds. Appropriations may be re-appropriated if the balance is greater than \$100, or lapsed at fiscal year end.

On or before October 1, agencies are required to submit annual or biennial budget estimates for the next fiscal year to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However, in the case of the regular legislative session immediately following the election of a governor who was elected to the Office of Governor for the first time, that governor must submit the budget report to the legislature on or before the 21st calendar day of that regular session.

The State maintains budgetary restrictions and controls, imposed through annual appropriations and limitations, approved by the Legislature. Agency, fund, and budget unit usually establish the level of budgetary control in the central accounting system. Budgetary control is maintained by mechanisms in the accounting system that prevent expenditures and firm encumbrances in excess of appropriations or limitations and/or available cash. Encumbrances are reported as expenditures for budgetary purposes and as reserved fund balances in the governmental financial statements in this report. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the budget unit level. The supplemental budgetary appropriations made in the General Fund were not material. Due to the volume of data, the detailed budget information at the budget unit level is available in a separate report.

State of Kansas
Required Supplementary Information
June 30, 2003

Notes to Required Supplementary Information – Reconciling Budgetary to GAAP State General Fund

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the State General Fund for the fiscal year ended June 30, 2003.

	<u>State General Fund</u>
Total net change in fund balance from the schedule:	\$ 108,176
Adjustment for encumbrances as budgetary schedule includes current budget fiscal year encumbrances as expenditures.	17,140
Adjustment to exclude prior budget fiscal year expenditures as budgetary schedule includes only current budget year expenditures and encumbrances.	(124,320)
Adjustment for imprest funds	(4)
Adjustment to report pooled investments at fair value	1,149
Accruals for accounts payable	(129,799)
Change in accruals for salaries payable	(1,040)
Change for accrued revenues	<u>16,130</u>
Change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ (112,568)</u></u>

State of Kansas
Required Supplementary Information
June 30, 2003

Notes to Required Supplementary Information – Reconciling Budgetary to GAAP Social and Rehabilitation Services Fund
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For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the Social and Rehabilitation Services Fund

	<u>Social and Rehabilitation Services Fund</u>
Total net change in fund balance from the schedule:	\$ 6,489
Adjustment for encumbrances as budgetary schedule includes current budget fiscal year encumbrances as expenditures	21,538
Adjustment to exclude prior budget fiscal year expenditures as budgetary schedule includes only current budget year expenditures and encumbrances	(19,207)
Outlawed warrants treated as revenue for governmental fund statements	187
Accruals for accounts payable	(23,128)
Change in accruals for salaries payable	(536)
Change for accrued revenues	1,254
Funds excluded from SRS Budgetary statement because they are not budgeted	<u>(4,693)</u>
Change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ (18,096)</u></u>

State of Kansas
Required Supplementary Information
June 30, 2003

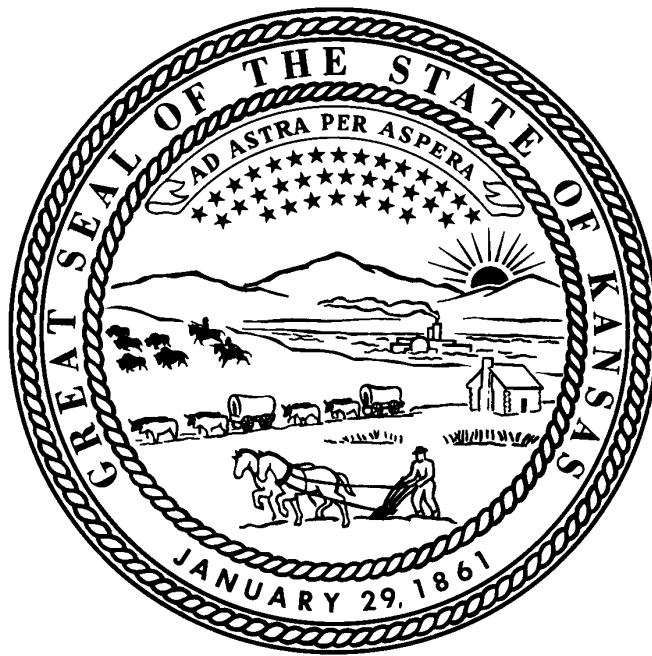
Notes to Required Supplementary Information – Reconciling Budgetary to GAAP Transportation Fund
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For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

Reconciliation of the Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the Transportation Fund

	<u>Transportation Fund</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (244,858)
Adjustment for encumbrances as budgetary schedule includes current budget fiscal year encumbrances as expenditures	596,360
Adjustment to exclude prior budget fiscal year expenditures as budgetary schedule includes only current budget year expenditures and encumbrances	(460,340)
Budgetary basis revenues and transfers from other State funds have been adjusted for GAAP basis	(10,660)
Budgetary expenditures and transfers to other State funds have been adjusted for GAAP basis	<u>(5,209)</u>
Change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ (124,707)</u></u>

**OTHER
SUPPLEMENTARY
INFORMATION**



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Listing of Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- State Regulatory Boards and Commissions
- Correctional Facilities
- Tobacco Settlement for Children's Initiative
- Adjutant General
- Aging
- Agriculture
- Attorney General
- Administration
- Health and Environment
- Highway Patrol
- Historical Society
- Human Resources
- Commerce and Housing
- Insurance
- Judicial
- State Library
- Revenue
- Education
- Secretary of State
- State Treasurer
- Wildlife and Parks
- Executive
- Legislative
- Transportation – Special Revenue
- State Water Plan

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- State Buildings
- Capitol Complex Buildings
- Master Lease Purchase Program
- Corrections
- Armories
- KBI Buildings
- Public Broadcasting Digital
- Vital Statistics Project
- Highway Patrol
- Human Resources
- Social and Rehabilitation Services

Debt Service Funds

- Bond and Interest
- Highway Debt Service
- STAR Bonds Debt Service

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Balance Sheet – Governmental Non-major Funds

June 30, 2003
(expressed in thousands)

Special Revenue Funds

	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General	Aging
ASSETS					
Cash and cash equivalents	\$ 40,108	\$ 12,294	\$ 5,964	\$ 3,892	\$ 7,628
Investments	5,901	0	0	0	0
Receivables, net	73	0	0	0	25,709
Due from other funds	0	0	0	0	0
Advances to other funds	41	4	0	0	0
Restricted cash and cash equivalents	506	0	0	0	0
Total assets	<u>\$ 46,629</u>	<u>\$ 12,298</u>	<u>\$ 5,964</u>	<u>\$ 3,892</u>	<u>\$ 33,337</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	\$ 7,525	\$ 2,475	\$ 1,385	\$ 2,745	\$ 28,765
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	<u>7,525</u>	<u>2,475</u>	<u>1,385</u>	<u>2,745</u>	<u>28,765</u>
Fund balances:					
Reserved for debt service	505	0	0	0	0
Reserved for encumbrances	6,413	1,186	1,736	3,795	942
Reserved for advances to other funds	41	4	0	0	0
Unreserved	32,145	8,633	2,843	(2,648)	3,629
Total fund balances	<u>39,104</u>	<u>9,823</u>	<u>4,579</u>	<u>1,147</u>	<u>4,571</u>
Total liabilities and fund balances	<u>\$ 46,629</u>	<u>\$ 12,298</u>	<u>\$ 5,964</u>	<u>\$ 3,892</u>	<u>\$ 33,336</u>

Special Revenue Funds

<u>Agriculture</u>	<u>Attorney General</u>	<u>Administration</u>	<u>Health and Environment</u>	<u>Highway Patrol</u>	<u>Historical Society</u>	<u>Human Resources</u>
\$ 4,579	\$ 6,162	\$ 9,031	\$ 36,815	\$ 12,672	\$ 3,613	\$ 6,900
0	0	0	0	0	0	0
0	0	0	284	0	0	0
0	0	0	0	0	0	0
3	2	3	11,021	14	0	10
0	0	0	0	0	0	0
<u>\$ 4,582</u>	<u>\$ 6,164</u>	<u>\$ 9,034</u>	<u>\$ 48,120</u>	<u>\$ 12,686</u>	<u>\$ 3,613</u>	<u>\$ 6,910</u>
\$ 451	\$ 1,604	\$ 939	\$ 12,468	\$ 3,716	\$ 182	\$ 4,360
0	12	2	85	0	0	0
0	0	0	65	0	0	0
0	25	2	89	0	0	0
<u>451</u>	<u>1,641</u>	<u>943</u>	<u>12,707</u>	<u>3,716</u>	<u>182</u>	<u>4,360</u>
0	0	0	0	0	0	0
70	1,007	819	28,723	2,725	187	2,076
3	2	3	11,021	14	0	10
4,058	3,514	7,269	(4,331)	6,231	3,244	464
<u>4,131</u>	<u>4,523</u>	<u>8,091</u>	<u>35,413</u>	<u>8,970</u>	<u>3,431</u>	<u>2,550</u>
<u>\$ 4,582</u>	<u>\$ 6,164</u>	<u>\$ 9,034</u>	<u>\$ 48,120</u>	<u>\$ 12,686</u>	<u>\$ 3,613</u>	<u>\$ 6,910</u>

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Balance Sheet – Governmental Non-major Funds Continued

June 30, 2003
(expressed in thousands)

	Special Revenue Funds				
	Commerce and Housing	Insurance	Judicial	State Library	Revenue
ASSETS					
Cash and cash equivalents	\$ 41,021	\$ 14,630	\$ 8,701	\$ 47	\$ 11,052
Investments	16,766	0	0	0	0
Receivables, net	120	0	0	0	25
Due from other funds	0	0	0	0	0
Advances to other funds	8	8	10	0	24
Restricted cash and cash equivalents	456	0	0	0	0
Total assets	\$ 58,371	\$ 14,638	\$ 8,711	\$ 47	\$ 11,101
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	\$ 2,979	\$ 7,501	\$ 1,136	\$ 50	\$ 2,179
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	4
Advances from other funds	0	0	0	0	0
Total liabilities	2,979	7,501	1,136	50	2,183
Fund balances:					
Reserved for debt service	0	0	0	0	0
Reserved for encumbrances	14,781	783	17	0	2,710
Reserved for advances to other funds	8	8	10	0	24
Unreserved	40,603	6,346	7,548	(3)	6,184
Total fund balances	55,392	7,137	7,575	(3)	8,918
Total liabilities and fund balances	\$ 58,371	\$ 14,638	\$ 8,711	\$ 47	\$ 11,101

Special Revenue Funds

Education	Secretary of State	State Treasurer	Wildlife and Parks	Executive	Legislative	Transportation- Special Revenue	State Water Plan
\$ 8,808	\$ 5,658	\$ 2,811	\$ 25,440	\$ 669	\$ 74	\$ 11,186	\$ 10,566
0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,788	2,858
0	0	0	0	0	0	0	0
1	0	1	19	0	0	0	0
0	0	0	0	0	0	0	0
<u>\$ 8,809</u>	<u>\$ 5,658</u>	<u>\$ 2,812</u>	<u>\$ 25,459</u>	<u>\$ 669</u>	<u>\$ 74</u>	<u>\$ 13,974</u>	<u>\$ 13,424</u>
\$ 3,900	\$ 92	\$ 40,111	\$ 7,622	\$ 586	\$ 0	\$ 612	\$ 1,605
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,438
0	0	0	0	0	0	0	0
<u>3,900</u>	<u>92</u>	<u>40,111</u>	<u>7,622</u>	<u>586</u>	<u>0</u>	<u>612</u>	<u>3,043</u>
0	0	0	0	0	0	0	0
2,111	0	0	2,321	5	0	9,853	7,160
1	0	1	19	0	0	0	0
<u>2,797</u>	<u>5,566</u>	<u>(37,300)</u>	<u>15,497</u>	<u>78</u>	<u>74</u>	<u>3,509</u>	<u>3,221</u>
<u>4,909</u>	<u>5,566</u>	<u>(37,299)</u>	<u>17,837</u>	<u>83</u>	<u>74</u>	<u>13,362</u>	<u>10,381</u>
<u>\$ 8,809</u>	<u>\$ 5,658</u>	<u>\$ 2,812</u>	<u>\$ 25,459</u>	<u>\$ 669</u>	<u>\$ 74</u>	<u>\$ 13,974</u>	<u>\$ 13,424</u>

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Balance Sheet – Governmental Non-major Funds Continued

June 30, 2003
(expressed in thousands)

	Capital Projects Funds			
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Purchase Program	Corrections
ASSETS				
Cash and cash equivalents	\$ 35,706	\$ 11,884	\$ 23,412	\$ (93)
Investments	0	25,956	0	11,534
Receivables, net	0	281	0	219
Due from other funds	0	0	6,400	0
Advances to other funds	0	0	64,903	0
Restricted cash and cash equivalents	0	10,239	0	449
Total assets	<u>\$ 35,706</u>	<u>\$ 48,360</u>	<u>\$ 94,715</u>	<u>\$ 12,109</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other liabilities	\$ 4,284	\$ 4,590	\$ 1,953	\$ 3,328
Due to other funds	0	0	0	0
Deferred revenue	0	0	0	0
Advances from other funds	0	0	0	0
Total liabilities	<u>4,284</u>	<u>4,590</u>	<u>1,953</u>	<u>3,328</u>
Fund Balances:				
Reserved for debt service	0	10,238	0	230
Reserved for encumbrances	7,850	21,043	2,666	4,511
Reserved for advances to other funds	0	0	48,986	0
Unreserved	23,572	12,489	41,110	4,040
Total fund balances	<u>31,422</u>	<u>43,770</u>	<u>92,762</u>	<u>8,781</u>
Total liabilities and fund balances	<u>\$ 35,706</u>	<u>\$ 48,360</u>	<u>\$ 94,715</u>	<u>\$ 12,109</u>

Capital Projects Funds

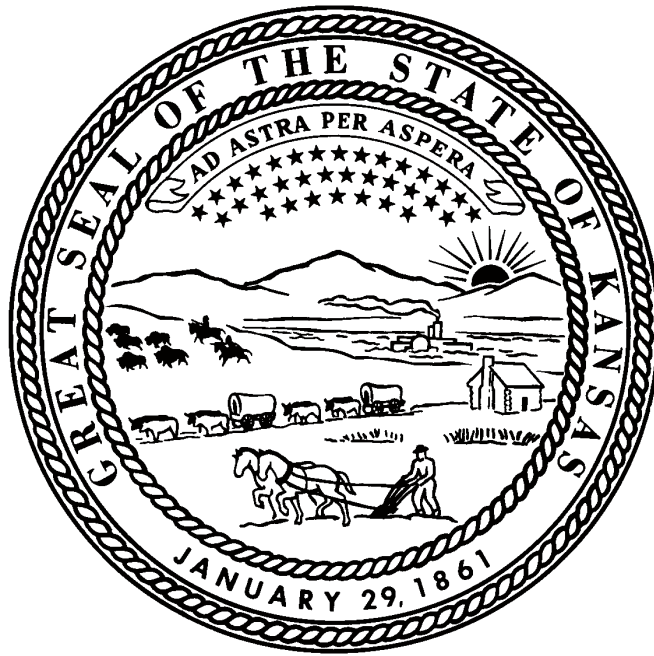
Armories	KBI Buildings	Public Broadcasting Digital	Vital Statistics Project	Highway Patrol	Human Resources
\$ 0	\$ 0	\$ 0	\$ 0	\$ 9	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
6,627	0	2,532	2,871	0	1,836
<u>\$ 6,627</u>	<u>\$ 0</u>	<u>\$ 2,532</u>	<u>\$ 2,871</u>	<u>\$ 9</u>	<u>\$ 1,836</u>
\$ 134	\$ 0	\$ 0	\$ 11	\$ 0	\$ 276
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
134	0	0	11	0	276
6,626	0	2,532	2,870	0	1,836
246	0	0	1,993	0	146
0	0	0	0	0	0
(379)	0	0	(2,003)	9	(422)
6,493	0	2,532	2,860	9	1,560
<u>\$ 6,627</u>	<u>\$ 0</u>	<u>\$ 2,532</u>	<u>\$ 2,871</u>	<u>\$ 9</u>	<u>\$ 1,836</u>

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Balance Sheet – Governmental Non-major Funds Concluded

June 30, 2003
(expressed in thousands)

	Capital Projects Funds	Debt Service Funds			
	Social and Rehabilitation Services	Bond and Interest	Highway Debt Service	STARS Bonds Debt Service	Total Non-major Governmental
ASSETS					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 361,236
Investments	43,563	407	0	0	104,126
Receivables, net	326	11	11,140	1	43,837
Due from other funds	0	0	0	0	6,400
Advances to other funds	0	0	0	0	76,081
Restricted cash and cash equivalents	2,737	225	46,870	2,401	77,751
Total assets	\$ 46,626	\$ 643	\$ 58,010	\$ 2,402	\$ 669,431
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	\$ 3,867	\$ 0	\$ 5	0	\$ 153,434
Due to other funds	0	0	0	0	100
Deferred revenue	0	0	10,804	0	12,311
Advances from other funds	0	0	0	0	117
Total liabilities	3,867	0	10,809	0	165,962
Fund balances:					
Reserved for debt service	2,737	224	46,828	0	74,631
Reserved for encumbrances	35,578	0	373	1	163,830
Reserved for advances to other funds	0	0	0	0	60,164
Unreserved	4,444	419	0	2,401	204,844
Total fund balances	42,759	643	47,201	2,402	503,469
Total liabilities and fund balances	\$ 46,626	\$ 643	\$ 58,010	\$ 2,402	\$ 669,431



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State of Kansas
Other Supplementary Information
June 30, 2003

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Non-major Funds
--

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

		Special Revenue Funds			
		State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General
Revenues:					
1	Property tax	\$ 0	\$ 0	\$ 0	\$ 0
2	Income and inheritance tax	0	0	0	0
3	Sales excise tax	11	0	0	0
4	Gross receipts tax	8,841	0	0	0
5	Charges for services	56,039	13,163	61,170	22
6	Operating grants	17,979	11,264	0	33,551
7	Capital grants	0	0	0	0
8	Investment earnings	120	65	342	0
9	Other revenues	5,851	5,564	17	129
10	Total revenues	<u>88,841</u>	<u>30,056</u>	<u>61,529</u>	<u>33,702</u>
11					
12	Expenditures:				
13	Current:				
14	General governmental	39,733	0	0	0
15	Human resources	10,919	0	24,103	0
16	Education	394	0	8,635	0
17	Public safety	8,987	33,770	7,852	32,110
18	Agriculture and natural resources	15,695	0	0	0
19	Highways and other transportation	0	0	0	0
20	Health and environment	0	0	1,204	0
21	Debt Service				
22	Principal	387	425	0	0
23	Interest	1,638	232	0	0
24	Total expenditures	<u>77,753</u>	<u>34,427</u>	<u>41,794</u>	<u>32,110</u>
25					
26	Excess of revenues over (under) expenditures	<u>11,088</u>	<u>(4,371)</u>	<u>19,735</u>	<u>1,592</u>
27					
28	Other financing sources (uses):				
29	Proceeds from sale of debt	0	0	0	0
30	Transfers, net	(18,338)	3,869	(30,451)	(327)
31	Other financing sources (uses)	0	0	0	0
32	Total other financing sources (uses)	<u>(18,338)</u>	<u>3,869</u>	<u>(30,451)</u>	<u>(327)</u>
33					
34	Net change in fund balances	(7,250)	(502)	(10,716)	1,265
35					
36	Fund balances, beginning of year	46,366	10,324	15,296	(119)
37	Revisions to beginning fund balances	(10)	0	0	0
38	Fund balances, beginning of year (restated)	46,356	10,324	15,296	(119)
39					
40	Fund balances, end of year	<u>\$ 39,106</u>	<u>\$ 9,822</u>	<u>\$ 4,580</u>	<u>\$ 1,146</u>

Special Revenue Funds

Aging	Agriculture	Attorney General	Administration	Health and Environment	Highway Patrol	Historical Society	Human Resources	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1
0	0	0	0	0	0	0	0	2
0	0	0	0	807	3,220	1,096	0	3
0	0	0	0	1,326	0	0	0	4
601	6,124	6,712	3,162	17,790	7,323	765	2,490	5
38,884	2,950	12,216	552	95,860	7,543	846	58,056	6
0	0	0	0	0	0	0	0	7
0	40	6	4	486	29	42	8	8
75	586	2,067	19,653	24,299	79	81	11,313	9
39,560	9,700	21,001	23,371	140,568	18,194	2,830	71,867	10
								11
								12
								13
0	0	13,936	23,986	0	0	0	(2)	14
312,247	0	0	0	0	0	(1)	70,441	15
0	0	0	(13)	0	0	2,524	0	16
0	0	8,582	0	0	39,967	0	0	17
0	9,771	0	26	0	0	0	0	18
0	0	0	0	0	0	0	0	19
0	0	0	0	144,146	0	0	0	20
								21
0	0	0	196	0	0	0	0	22
0	0	0	236	0	0	0	0	23
312,247	9,771	22,518	24,431	144,146	39,967	2,523	70,439	24
								25
(272,687)	(71)	(1,517)	(1,060)	(3,578)	(21,773)	307	1,428	26
								27
								28
0	0	0	0	0	0	0	0	29
248,356	(757)	3,788	(661)	2,041	24,136	28	548	30
0	0	0	0	0	0	0	0	31
248,356	(757)	3,788	(661)	2,041	24,136	28	548	32
								33
(24,331)	(828)	2,271	(1,721)	(1,537)	2,363	335	1,976	34
								35
28,902	4,960	2,309	9,817	37,245	6,608	3,094	575	36
0	0	(58)	(8)	(297)	0	0	0	37
28,902	4,960	2,251	9,809	36,948	6,608	3,094	575	38
								39
\$ 4,571	\$ 4,132	\$ 4,522	\$ 8,088	\$ 35,411	\$ 8,971	\$ 3,429	\$ 2,551	40

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Non-major Funds Continued
--

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

		Special Revenue Funds			
		Commerce and Housing	Insurance	Judicial	State Library
Revenues:					
1	Property tax	\$ 0	\$ 0	\$ 0	\$ 0
2	Income and inheritance tax	9,879	0	0	0
3	Sales excise tax	0	0	0	0
4	Gross receipts tax	0	8,755	0	0
5	Charges for services	5,385	7,689	12,348	25
6	Operating grants	81,400	63	151	1,497
7	Capital grants	0	0	0	0
8	Investment earnings	410	0	27	0
9	Other revenues	5,487	1,327	1,635	1
10	Total revenues	<u>102,561</u>	<u>17,834</u>	<u>14,161</u>	<u>1,523</u>
11					
12	Expenditures:				
13	Current:				
14	General government	135,256	14,919	14,566	0
15	Human resources	0	0	0	0
16	Education	(8)	0	0	1,464
17	Public safety	0	0	0	0
18	Agriculture and natural resources	0	0	0	0
19	Highways and other transportation	0	0	0	0
20	Health and environment	0	0	0	0
21	Debt service:				
22	Principal	7,715	0	0	0
23	Interest	3,033	0	0	0
24	Total expenditures	<u>145,996</u>	<u>14,919</u>	<u>14,566</u>	<u>1,464</u>
25					
26	Excess of revenues over (under) expenditures	<u>(43,435)</u>	<u>2,915</u>	<u>(405)</u>	<u>59</u>
27					
28	Other financing sources (uses):				
29	Proceeds from sale of debt	0	0	0	0
30	Transfers, net	29,140	(910)	2,335	(93)
31	Other financing sources (uses)	0	0	0	0
32	Total other financing sources (uses)	<u>29,140</u>	<u>(910)</u>	<u>2,335</u>	<u>(93)</u>
33					
34	Net change in fund balances	(14,295)	2,005	1,930	(34)
35					
36	Fund balances, beginning of year	69,760	5,131	5,646	27
37	Revisions to beginning fund balances	(76)	0	0	0
38	Fund balances, Beginning of year (restated)	<u>69,684</u>	<u>5,131</u>	<u>5,646</u>	<u>27</u>
39					
40	Fund balances, end of year	<u>\$ 55,389</u>	<u>\$ 7,136</u>	<u>\$ 7,576</u>	<u>\$ (7)</u>

Special Revenue Funds									
Revenue	Education	Secretary of State	State Treasurer	Wildlife And Parks	Executive	Legislative	Transportation- Special Revenue	State Water Plan	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1
0	0	0	0	0	0	0	0	0	2
4,945	0	0	0	859	0	0	0	0	3
223	0	0	0	0	0	0	0	0	4
8,131	1,926	1,630	3,060	23,747	0	76	126	3,703	5
1	316,906	5,000	0	11,458	2,517	0	0	0	6
0	0	0	0	0	0	0	34	0	7
0	0	0	0	225	0	0	0	0	8
0	23,052	0	6,926	144	0	20	517	5,389	9
13,300	341,884	6,630	9,986	36,433	2,517	96	677	9,092	10
									11
									12
									13
41,385	0	1,481	11,766	0	2,602	119	0	0	14
0	0	0	0	0	0	0	0	0	15
0	340,467	0	0	0	0	0	0	0	16
0	0	0	0	0	0	0	0	0	17
0	0	0	0	39,705	0	0	0	10,960	18
0	0	0	0	0	0	0	11,808	0	19
0	0	0	0	0	0	0	0	3,526	20
									21
0	0	0	0	0	0	0	0	199	22
0	0	0	0	0	0	0	0	59	23
41,385	340,467	1,481	11,766	39,705	2,602	119	11,808	14,744	24
									25
(28,085)	1,417	5,149	(1,780)	(3,272)	(85)	(23)	(11,131)	(5,652)	26
									27
									28
0	0	0	0	0	0	0	0	0	29
31,921	(2,298)	85	(71)	1,713	146	0	11,470	5,831	30
0	0	0	0	0	0	0	0	0	31
31,921	(2,298)	85	(71)	1,713	146	0	11,470	5,831	32
									33
3,836	(881)	5,234	(1,851)	(1,559)	61	(23)	339	179	34
									35
5,083	5,791	332	(35,445)	19,395	23	96	13,023	10,201	36
0	0	0	0	0	0	0	0	0	37
5,083	5,791	332	(35,445)	19,395	23	96	13,023	10,201	38
									39
\$ 8,919	\$ 4,910	\$ 5,566	\$ (37,296)	\$ 17,836	\$ 84	\$ 73	\$ 13,362	\$ 10,380	40

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Non-major Funds Continued
--

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

		Capital Project Funds		
		State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program
Revenues:				
1	Property tax	\$ 38,301	\$ 0	\$ 0
2	Income and inheritance tax	0	0	0
3	Sales excise tax	0	0	0
4	Gross receipts tax	0	0	0
5	Charges for services	0	2,593	23
6	Operating grants	0	0	0
7	Capital grants	0	0	0
8	Investment earnings	0	495	192
9	Other revenues	1	42	(8)
10	Total revenues	<u>38,302</u>	<u>3,130</u>	<u>207</u>
11				
12	Expenditures:			
13	Current:			
14	General government	0	22,521	11,334
15	Human resources	4,273	0	0
16	Education	(13,736)	0	0
17	Public safety	6,635	0	0
18	Agriculture and natural resources	0	0	0
19	Highways and other transportation	0	0	0
20	Health and environment	0	0	0
21	Debt service:			
22	Principal	0	1,170	7,381
23	Interest	0	4,423	1,902
24	Total expenditures	<u>(2,828)</u>	<u>28,114</u>	<u>20,617</u>
25				
26	Excess of revenues sources (under) expenditures	<u>41,130</u>	<u>(24,984)</u>	<u>(20,410)</u>
27				
28	Other financing sources (uses):			
29	Proceeds from sale of debt	0	33,355	40,064
30	Transfers, net	(43,408)	1,048	(84)
31	Other financing sources (uses)	0	(22,372)	0
32	Total other financing sources (uses)	<u>(43,408)</u>	<u>12,031</u>	<u>39,980</u>
33				
34	Net change in fund balances	<u>(2,278)</u>	<u>(12,953)</u>	<u>19,570</u>
35				
36	Fund balances, beginning of year	33,700	56,722	4,530
37	Revisions to beginning fund balances	0	0	68,664
38	Fund balances, beginning of year (restated)	33,700	56,722	73,194
39				
40	Fund balances, end of year	<u>\$ 31,422</u>	<u>\$ 43,769</u>	<u>\$ 92,764</u>

Capital Project Funds

Corrections	Pooled Funds	School District	Armories	KBI Buildings	Public Broadcasting Digital	Vital Statistics Project	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1
0	0	0	0	0	0	0	2
0	0	0	0	0	0	0	3
0	0	0	0	0	0	0	4
6,240	126	0	323	0	297	200	5
0	0	0	0	0	0	0	6
0	0	0	0	0	0	0	7
27	0	0	24	0	67	47	8
124	0	0	0	0	0	0	9
<u>6,391</u>	<u>126</u>	<u>0</u>	<u>347</u>	<u>0</u>	<u>364</u>	<u>247</u>	10
							11
							12
							13
0	1	0	0	0	2,495	0	14
0	0	0	0	0	0	0	15
0	0	46,944	0	0	0	0	16
26,089	0	0	1,242	0	0	0	17
0	0	0	0	0	0	0	18
0	0	0	0	0	0	0	19
0	0	0	0	0	0	103	20
							21
10,270	95	0	175	0	195	329	22
5,175	33	0	207	0	282	167	23
<u>41,534</u>	<u>129</u>	<u>46,944</u>	<u>1,624</u>	<u>0</u>	<u>2,972</u>	<u>599</u>	24
							25
<u>(35,143)</u>	<u>(3)</u>	<u>(46,944)</u>	<u>(1,277)</u>	<u>0</u>	<u>(2,608)</u>	<u>(352)</u>	26
							27
							28
1	0	0	6,000	0	0	0	29
8,043	1	46,944	0	(258)	88	212	30
0	0	0	0	0	0	0	31
<u>8,044</u>	<u>1</u>	<u>46,944</u>	<u>6,000</u>	<u>(258)</u>	<u>88</u>	<u>212</u>	32
							33
(27,099)	(2)	0	4,723	(258)	(2,520)	(140)	34
							35
35,882	0	0	1,771	258	5,052	2,999	36
0	0	0	0	0	0	0	37
<u>35,882</u>	<u>0</u>	<u>0</u>	<u>1,771</u>	<u>258</u>	<u>5,052</u>	<u>2,999</u>	38
							39
<u>\$ 8,783</u>	<u>\$ (2)</u>	<u>\$ 0</u>	<u>\$ 6,494</u>	<u>\$ 0</u>	<u>\$ 2,532</u>	<u>\$ 2,859</u>	40

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Non-major Funds Concluded
--

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

		Capital Project Funds		
		Highway Patrol	Human Resources	Social and Rehabilitation Services
Revenues:				
1	Property tax	\$ 0	\$ 0	\$ 0
2	Income and inheritance tax	0	0	0
3	Sales excise tax	0	0	0
4	Gross receipts tax	0	0	0
5	Charges for services	0	(6)	844
6	Operating grants	0	0	0
7	Capital grants	0	0	0
8	Investment earnings	21	37	7
9	Other revenues	0	0	0
10	Total revenues	<u>21</u>	<u>31</u>	<u>851</u>
Expenditures:				
13	Current:			
14	General government	0	0	0
15	Human resources	0	2,168	9,156
16	Education	0	0	0
17	Public safety	4,200	0	0
18	Agriculture and natural resources	0	0	0
19	Highways and other transportation	0	0	0
20	Health and environment	0	0	0
21	Debt service:			
22	Principal	4,485	180	0
23	Interest	214	208	0
24	Total expenditures	<u>8,899</u>	<u>2,556</u>	<u>9,156</u>
26	Excess of revenues over (under) expenditures	<u>(8,878)</u>	<u>(2,525)</u>	<u>(8,305)</u>
Other financing sources (uses):				
29	Proceeds from sale of debt	4,233	3,757	51,065
30	Transfers, net	502	316	0
31	Other financing sources (uses)	0	0	0
32	Total other financing sources (uses)	<u>4,735</u>	<u>4,073</u>	<u>51,065</u>
34	Net change in fund balances	<u>(4,143)</u>	<u>1,548</u>	<u>42,760</u>
36	Fund balances, beginning of year	4,152	13	0
37	Revisions to beginning fund balances	0	0	0
38	Fund balances, beginning of year (restated)	4,152	13	0
40	Fund balances end of year	<u>\$ 9</u>	<u>\$ 1,561</u>	<u>\$ 42,760</u>

Debt Service Funds				
Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	Total Non-major Governmental	
\$ 0	\$ 0	\$ 0	\$ 38,301	1
0	0	0	9,879	2
0	0	4,128	15,067	3
0	0	0	19,145	4
2,426	571	0	256,846	5
0	0	0	698,698	6
0	0	0	34	7
6	0	0	2,737	8
0	1,738	0	116,114	9
2,432	2,309	4,128	1,156,821	10
				11
				12
				13
0	0	31,982	368,085	14
0	0	0	433,309	15
0	0	0	386,665	16
217	0	0	169,657	17
0	0	0	76,156	18
0	0	0	11,808	19
0	0	0	148,979	20
				21
3,970	54,410	442	92,026	22
562	61,674	2,299	82,351	23
4,749	116,084	34,723	1,769,036	24
				25
				26
(2,317)	(113,775)	(30,595)	(612,215)	27
				28
0	0	31,982	170,459	29
1,382	117,177	0	443,457	30
0	(3,385)	0	(25,757)	31
1,382	113,792	31,982	588,159	32
				33
(935)	17	1,387	(24,056)	34
				35
1,576	47,184	1,015	480,647	36
0	0	0	46,878	37
1,576	47,184	1,015	527,525	38
				39
\$ 641	\$ 47,201	\$ 2,402	\$ 503,469	40

Listing of Non-major Proprietary Funds

Proprietary funds focus on the determination of net income, financial position, and cash flows.

Enterprise Funds

Enterprise funds may be used to report any activity for which a fee for goods or services is charged external users. Enterprise funds are (1) required for any activity that operates under laws or regulations that its costs be recovered with fees and charges, rather than with taxes or similar revenues, (2) required for any activity for which management establishes fees, pursuant to its pricing policy, designed to recover its costs of providing services, and (3) required for activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.

Health Care Stabilization
Worker's Compensation
Lottery
Intergovernmental Transfer Program

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Statement of Net Assets – Proprietary Non-major Funds
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June 30, 2003
(expressed in thousands)

	Business-type Activities				
	Health Care Stabilization	Worker's Compensation	Lottery	Intergovernmental Transfer Program	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,907	\$ 5,867	\$ 9,063	\$ 2,282	\$ 20,119
Investments	202,789	0	0	0	202,789
Receivables, net	5,199	0	7,413	0	12,612
Due from other funds	0	0	0	0	0
Inventories	0	0	1,316	0	1,316
Other assets	0	0	0	0	0
Total current assets	210,895	5,867	17,792	2,282	236,836
Non-current assets:					
Investments	0	0	0	0	0
Receivables, net:	0	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0	0
Restricted investments	0	0	0	0	0
Advances to other funds	0	4,001	0	0	4,001
Capital assets (net of accumulated depreciation)	9	0	293	0	302
Infrastructure	0	0	0	0	0
Other non-current assets	0	0	0	0	0
Total non-current assets	9	4,001	293	0	4,303
Total assets	\$ 210,904	\$ 9,868	\$ 18,085	\$ 2,282	\$ 241,139
LIABILITIES					
Current liabilities:					
Accounts payable and other liabilities	2,515	188	\$ 6,348	\$ 18	9,069
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	4,850	0	4,850
Short-term notes payable	0	0	0	0	0
Short-term compensated absences	38	11	0	0	49
Short-term portion of long-term liabilities	0	0	0	0	0
Total current liabilities	2,553	199	11,198	18	13,968
Non-current liabilities:					
Compensated absences	5	1	0	0	6
Claims and judgments	153,600	143,771	0	0	297,371
Bonds, notes and loans payable	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total non-current liabilities	153,605	143,772	0	0	297,377
Total liabilities	156,158	143,971	11,198	18	311,345
NET ASSETS					
Invested in capital assets, net of related debt	9	0	292	0	301
Restricted for:					
Capital projects	0	0	0	0	0
Debt service	0	0	0	0	0
Other purposes	54,737	(134,103)	0	0	(79,366)
Unrestricted	0	0	6,595	2,264	8,859
Total net assets	54,746	(134,103)	6,887	2,264	(70,206)
Total liabilities and net assets	\$ 210,904	\$ 9,868	\$ 18,085	\$ 2,282	\$ 241,139

State of Kansas
Other Supplementary Information
June 30, 2003

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Non-major Funds

For Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Business-type Activities				
	Health Care Stabilization	Worker's Compensation	Lottery	Intergovernmental Transfer Program	Totals
Operating revenues:					
Charges for services	\$ 26,201	\$ 871	\$ 203,941	\$ 67	\$ 231,080
Other revenue	4,403	96	0	86,521	91,020
Total operating revenues	30,604	967	203,941	86,588	322,100
Operating expenses:					
Personal services	724	261	3,604	0	4,589
Supplies and services	3,970	1,124	28,644	52	33,790
Lottery prize awards	0	0	107,660	0	107,660
Depreciation	6	0	194	0	200
Insurance claims and expenses	0	(40,664)	0	0	(40,664)
Other expenses	25,854	1,103	0	34,492	61,449
Total operating expenses	30,554	(38,176)	140,102	34,544	167,024
Operating income (loss)	50	39,143	63,839	52,044	155,076
Non-operating revenues (expenses):					
Operating grants	0	0	0	0	0
Capital grants	0	0	0	0	0
Investment earnings	0	0	0	0	0
Other expenses	(4,399)	0	0	(1,410)	(5,809)
Total non-operating revenues (expenses)	(4,399)	0	0	(1,410)	(5,809)
Net income (loss)	(4,349)	39,143	63,839	50,634	149,267
Transfers in	2,386	0	(62,500)	(61,540)	(121,654)
Transfers out	0	(12)	0	0	(12)
Net change in net assets	(1,963)	39,131	1,339	(10,906)	27,601
Total net assets – beginning	56,710	(173,237)	4,493	13,167	(98,867)
Revisions to beginning net assets	0	0	1,060	0	1,060
Total net assets – beginning (restated)	56,710	(173,237)	5,553	13,167	(97,807)
Total net assets - ending	\$ 54,747	\$ (134,106)	\$ 6,892	\$ 2,261	\$ (70,206)

**STATISTICAL
SECTION**

State of Kansas
General Governmental
June 30, 2003

Government-wide Expenses by Function Last Two Fiscal Years

	(expressed in thousands)	
	Fiscal Year	
	2003	2002
General government	\$ 419,040	\$ 561,006
Human resources	2,804,932	2,723,207
Education	3,125,520	2,662,380
Public safety	446,867	476,638
Agriculture and natural resources	92,466	90,948
Highways and other transportation	798,083	860,035
Health and environment	174,249	166,038
Water pollution and safety	22,489	42,370
Health care stabilization	34,955	27,588
Employment security	487,610	341,587
Workers' compensation	(38,177)	(856)
Lottery	140,103	132,284
Universities	1,749,824	1,857,220
Intergovernmental transfer program	35,953	94,823
Total	\$ 10,293,914	\$ 10,035,268

Government-wide Revenues Last Two Fiscal Years

	(expressed in thousands)	
	Fiscal Year	
	2003	2002
<i>Program revenues</i>		
Charges for services	\$ 1,612,912	\$ 1,299,132
Operating grants	2,958,426	2,905,795
Capital Grants	299,433	260,285
<i>General revenues</i>		
Taxes	4,995,553	4,417,669
Investment earnings	12,786	37,211
Other revenue	355,491	791,169
Extraordinary items	45,710	0
Total	\$ 10,280,311	\$ 9,711,261

State of Kansas
General Governmental
June 30, 2003

General Governmental Expenditures by Function Last Two Fiscal Years
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(expressed in thousands)		
	Fiscal Year	
	2003	2002
General Government	\$ 542,359	\$ 582,613
Human Resources	2,805,640	2,727,508
Education	3,128,229*	2,664,448
Public Safety	467,663	482,523
Agriculture and Natural Resources	91,034	91,302
Highways and Other Transportation	898,645	920,930
Heath and Environment	175,636	166,504
Debt Service	174,377	157,372
Total	\$ 8,283,583	\$ 7,793,200

General Governmental Revenues by Source Last Two Fiscal Years
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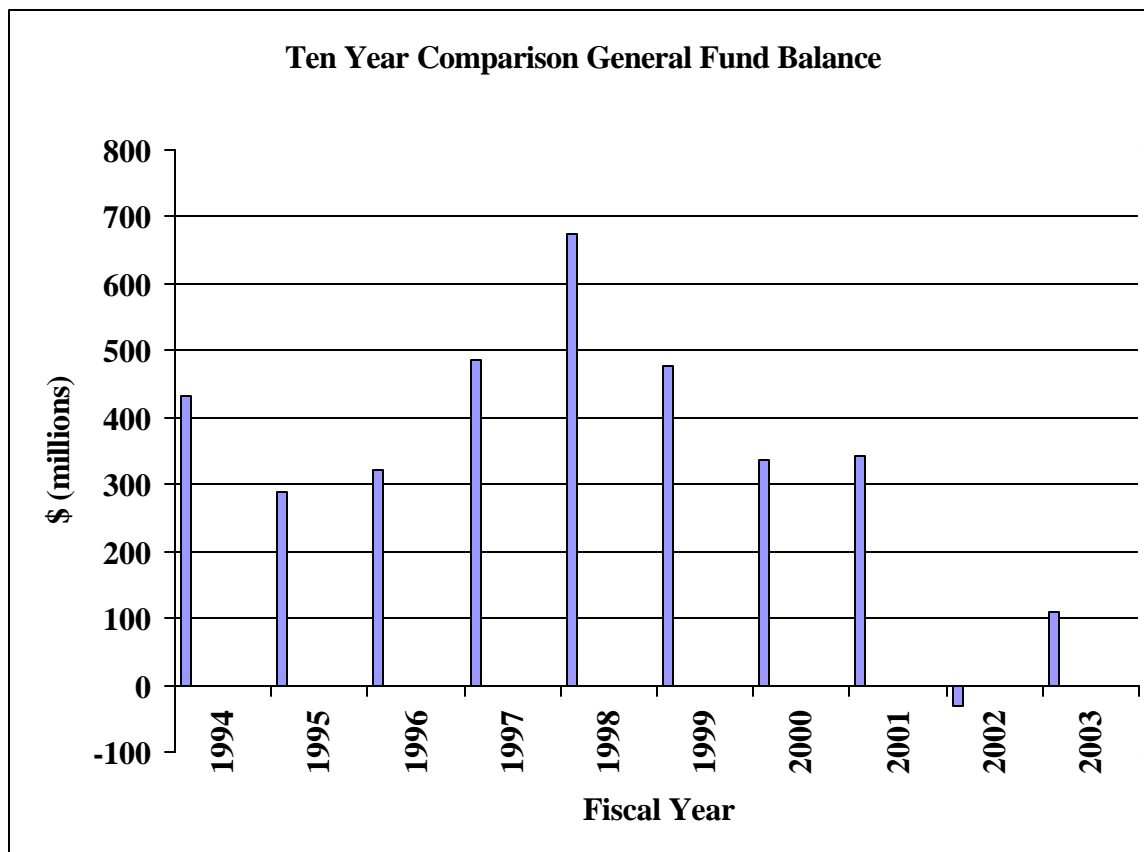
(expressed in thousands)		
	Fiscal Year	
	2003	2002
Property Tax	\$ 446,629*	\$ 54,694
Income and Inheritance	1,953,397	2,010,129
Sales Excise Tax	2,473,761	2,224,123
Gross Receipts Tax	115,194	103,822
Charges for Services	531,949	449,109
Operating Grants	2,433,074	2,397,729
Capital Grants	297,260	259,666
Investment Earnings	13,636	37,442
Other Revenues	161,081	177,028
Total	\$ 8,425,981	\$ 7,713,742

*In fiscal year 2003 the State began recording the property taxes and their payments to the Unified School Districts.

Comparison of Resources Available for Appropriations

(expressed in thousands)

RESOURCES AVAILABLE FOR APPROPRIATIONS	2003	2002	Increase/ (Decrease)
State Treasurer's Balance at June 30	\$ 159,788	\$ 147,573	\$ 12,215
Less Outstanding Obligations			
Unredeemed warrants and vouchers payable	16,081	21,451	(5,370)
Unliquidated encumbrances	20,911	130,646	(109,735)
Appropriation balances reappropriated	12,300	27,907	(15,607)
Total outstanding obligations at June 30	49,292	180,004	(130,712)
UNENCUMBERED BALANCE AVAILABLE TO FINANCE SUCCEEDING FISCAL YEAR			
APPROPRIATIONS AT JUNE 30	\$ 110,496	\$ (32,431)	\$ 142,927



State General Fund Cash Revenues Last Ten Fiscal Years

(expressed in thousands)

	2003	2002	2001	2000	1999
Tax revenues					
Property	\$ 15,729	\$ 18,068	\$ 17,920	\$ 16,125	\$ 15,771
Income and inheritance	1,933,348	1,999,571	2,255,261	2,190,032	2,029,226
Sales and compensating use	1,793,645	1,704,675	1,673,857	1,635,365	1,598,542
Cigarette	129,250	48,040	48,784	49,124	51,181
Cereal malt beverage	2,273	2,380	2,489	2,431	2,448
Liquor enforcement	38,833	37,423	35,351	33,336	30,797
Liquor gallonage and private club	21,649	21,247	20,728	20,033	19,284
Tobacco products	4,510	4,302	4,092	3,773	3,369
Corporation franchise	31,091	18,519	16,927	16,834	15,866
Wheat	0	0	0	53	51
Car companies	758	856	887	866	881
Insurance companies	94,455	84,950	67,680	60,675	67,293
Bingo tax	450	454	519	303	326
Transient guest tax	376	376	367	341	338
Severance tax on minerals	72,775	55,681	101,537	52,969	40,932
Marijuana and controlled substances	213	258	325	367	400
Other gross receipts	2,630	11	14	18	15
Total tax revenues	4,141,985	3,996,811	4,246,738	4,082,645	3,876,720
Non-tax revenues					
Agency earnings:					
Service charges	8,079	7,701	8,012	8,104	8,571
Licenses, permits and registrations	4,772	5,098	5,081	4,975	5,130
Sales of commodities	641	647	913	342	391
Grain and pecan marketing assessments	0	0	0	47	49
Total agency earnings	13,492	13,446	14,006	13,468	14,141
Revenue from the use of money and property					
Interest and dividends	20,057	23,403	71,765	76,696	88,084
Amortization on securities	137	53	54	(4)	(61)
Total Revenue from the use of money and property	20,194	23,456	71,819	76,692	88,023
Gifts, donations & grants	82	0	0	0	5
Extraordinary income	45,710	0	0	0	0
Reimbursements and refunds	2,461	2,271	2,188	1,944	1,628
Other non-tax revenues	21,655	34,549	25,322	29,222	24,506
Total Non-tax revenues	103,594	73,722	113,335	121,326	128,303
Total revenues	\$ 4,245,579	\$ 4,070,533	\$ 4,360,073	\$ 4,203,971	\$ 4,005,023

State General Fund Cash Revenues Last Ten Fiscal Years – (Continued)

(expressed in thousands)

	1998	1997	1996	1995	1994
TAX REVENUES					
Property	\$ 15,998	\$ 15,683	\$ 14,008	\$ 11,722	\$ 10,389
Income and Inheritance	2,136,849	1,892,874	1,744,285	1,563,495	1,535,137
Sales and Compensating Use	1,536,679	1,400,602	1,329,586	1,308,748	1,236,268
Cigarette	52,095	52,931	52,359	52,272	51,556
Cereal Malt Beverage	2,439	2,460	2,533	2,694	2,717
Liquor Enforcement	28,549	27,446	26,204	24,789	24,512
Liquor Gallonage and Private Club	18,388	17,731	17,251	17,153	16,883
Tobacco Products	3,269	3,103	2,925	2,680	2,541
Corporation Franchise	15,351	14,293	13,140	12,025	11,638
Wheat	36	41	48	51	47
Car Companies	873	900	866	872	820
Insurance Companies	88,106	80,413	88,947	88,417	87,894
Bingo Tax	319	352	351	359	359
Transient Guest Tax	287	257	245	230	214
Severance Tax on Minerals	62,558	75,713	63,581	71,737	94,167
Marijuana and Controlled Substances	256	323	238	190	451
Other Gross Receipts	20	25	24	28	28
TOTAL TAX REVENUES	3,962,072	3,585,147	3,356,591	3,157,462	3,075,621
NON-TAX REVENUES					
Agency Earnings:					
Service Charges	8,820	8,297	8,115	7,825	7,956
Licenses, Permits and Registrations	5,486	5,411	5,545	5,247	5,209
Sales of Commodities	748	554	732	818	766
Grain and Pecan Marketing Assessments	64	59	52	49	53
Total Agency Earnings	15,118	14,321	14,444	13,939	13,984
Revenue from the use of Money and Property					
Interest and dividends	85,504	81,697	75,137	76,830	67,918
Amortization on Securities	(906)	(14,125)	(10,916)	(13,749)	(15,894)
Total Revenue from the use of Money and Property	84,598	67,572	64,221	63,081	52,024
Property					
Gifts, Donations & Grants	0	0	1	0	0
Extraordinary income	0	0	0	0	0
Reimbursements and Refunds	1,729	1,448	1,503	1,289	1,186
Other Non-Tax Revenues	26,739	22,992	25,922	25,737	
TOTAL NON-TAX REVENUES	128,184	106,333	106,091	104,046	67,194
TOTAL REVENUES	\$ 4,090,256	\$ 3,691,480	\$ 3,462,682	\$ 3,261,508	\$ 3,142,815

Kansas Demographic Statistics Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Per Capita Income⁽²⁾	Median Age⁽³⁾	Education Level in Years of Formal Schooling⁽⁴⁾	K to 12 Public School Enrollment⁽⁴⁾	Unemployment Rate⁽⁵⁾
1994	2,569,000	21,258	34.20	12.91	439,699	5.3%
1995	2,587,000	21,771	34.40	-	439,686	4.4%
1996	2,598,000	22,977	34.75	-	466,368	4.5%
1997	2,616,000	24,182	35.00	-	467,691	3.8%
1998	2,639,000	25,519	35.25	-	469,758	3.8%
1999	2,654,000	26,134	35.50	-	469,205	3.0%
2000	2,688,000	27,439	35.25	13.28	468,347	3.7%
2001	2,694,641	28,432	35.25	-	468,171	4.3%
2002	2,715,884	29,141	(6)	-	468,173	5.1%
2003	(6)	(6)	(6)	-	467,326	4.8%

Data Sources

⁽¹⁾ U.S. Bureau of the Census Web Site: <http://www.census.gov/population/estimates/state>.

⁽²⁾ State Department of Commerce, Bureau of Economic Analysis Web Site: <http://www.bea.doc.gov/bea/regional>.

⁽³⁾ State Department of Health and Environment Web Site: <http://www.kdhe.state.ks.us>

⁽⁴⁾ State Department of Education Web Site: www.ksbe.state.ks.us/Welcome.html. The Source for education level in years of formal schooling came from 1990 and 2000 census reports issued by the U.S. Census Bureau.

Enrollment represents the head count as of September 20 of each year shown above.

⁽⁵⁾ State Department of Human Resources, Labor Market Information Services Web Site: <http://laborstats.hr.state.ks.us>

⁽⁶⁾ Information is not available at this time.

Major Employers in Kansas

Company Name	City	Employees	Line of Business
Sprint Corporation	Overland Park	21,000	Telecommunications and headquarters
The Boeing Company	Wichita	12,565	Aircraft manufacturing
Cessna Aircraft	Wichita	9,200	Aircraft manufacturing and headquarters
The Kroger Co./Dillon's Food Stores/Quick Shops	Hutchinson, statewide	8,826	Retail grocery stores and headquarters
Raytheon Aircraft	Wichita	7,000	Aircraft manufacturing and headquarters
Tyson Foods/IBP Inc.	Emporia, Holcolm, statewide	6,500	Meat packing
KU Med/University of Kansas Medical Center	Kansas City	5,160	Medical services and education
Via Christi Regional Medical Center	Wichita	4,976	Medical services
United Parcel Service	Statewide	4,500	Transportation parcel delivery and logistics
Burlington Northern Santa Fe	Kansas City, Topeka	3,800	Railroad
Southwestern Bell	Statewide	3,225	Telecommunications
General Motors Assembly Plant	Kansas City	3,200	Motor vehicles and car bodies
Stormont-Vail Regional Medical Center	Topeka	3,000	Medical services
Black and Veatch	Overland Park	2,804	Engineering, consulting and construction
Bombardier Aerospace Learjet	Wichita	2,600	Aircraft manufacturing
Applebee's International	Overland Park	2,478	Restaurant management and headquarters
Hallmark Cards	Lawrence, Leavenworth, Topeka	2,308	Greeting cards
Shawnee Mission Medical Center	Merriam	2,266	Medical services
Payless Shoe Source	Topeka	2,070	Shoe sales and headquarters
Westar Energy	Topeka, statewide	1,972	Electric utility and subsidiaries
Wesley Medical Center	Wichita	1,921	Medical services
St. Francis Hospital and Medical Center	Topeka	1,900	Medical services
Yellow Corporation	Overland Park	1,881	Transportation services and headquarters
Koch Industries	Wichita	1,866	Oil, chemical technology, and other products
Schwan's Sales/Tony's Pizza	Salina, statewide	1,800	Frozen foods
Lab One, Inc	Lenexa	1,800	Lab testing and insurance services
Goodyear Tire and Rubber Company	Topeka, statewide	1,657	Tire manufacturing
Honeywell Business Regional and General Aviation	Olathe	1,500	Electronics and aviation instruments

Source: Kansas Department of Commerce and Housing Webpage which used the sources: Wichita Business Journal Book of Lists, June 2003; Kansas City Business Journal Book of Lists, April 2003; Greater Topeka Chamber of Commerce, Largest Employers; individual companies.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Legislative Post Audit Committee
Kansas State Legislature:

We have audited the financial statements of the State of Kansas as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Kansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Kansas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the State in a separate letter dated December 19, 2003.

This report is intended solely for the information and use of management and the Legislative Post Audit Committee of the Kansas State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Allen, Gibbs & Houlik, L.C.

December 19, 2003
Wichita, Kansas

Berberich Trahan & Co., P.A.

December 19, 2003
Topeka, Kansas

KANSAS

General Information

Admitted to Union (34 th State).....	1861
Capital.....	Topeka
Population per U.S. Census, April, 2000.....	2,688,418
Population per square mile.....	32.86
Counties.....	105

State Symbols

Nickname.....	Sunflower State
Motto.....	Ad Astra per Aspera (To the stars through difficulty)
Song.....	Home on the Range
Flower.....	Native Sunflower
Tree.....	Cottonwood
Bird.....	Western Meadowlark
Animal.....	American Buffalo
Fish.....	Channel Catfish
Insect.....	Honeybee
Reptile.....	Ornate Box Turtle
Soil.....	Harney Silt Loam
Amphibian.....	Barred Tiger Salamander

Area

Total Area.....	82,282 square miles
Land Area.....	81,823 square miles
Water Area.....	459 square miles

Recreation

Number of State Parks.....	25
Number of State Trails.....	11
Number of Lakes (100 acres or larger).....	43